

FINANCIAL TIMES

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NATO

Arguments start on defence spending

Page 12

Table with exchange rates for various countries including Australia, Canada, France, Germany, etc.

World News

FBI arrest fugitive Greek banker in Boston

Greece asked the US to extradite fugitive banking tycoon George Koskotas, charged with multi-million dollar fraud in a scandal which has rocked Athens, after his arrest by the FBI in Boston. Page 14

Church raid kills 16

Suspected communist rebels fired on a packed Philippine village church killing 16 people gathered inside for evening prayers in the mountain village of Sambag on central Cebu Island.

Sudan villages razed

At least 133 people were killed and 37 villages burned in a new surge of lawlessness in tribal warfare in Sudan's western Darfur region.

Arms talks stall

Work on setting up new talks on reducing conventional arms in Europe has virtually come to a standstill over procedural objections raised earlier this month by France. Page 2

Thai flood kills 140

At least 140 people died in floods and in landslides after torrential rain in southern Thailand including 45 killed when mud loosened by three days of monsoon rains engulfed villages in a district of Nakhon Si Thammarat province.

EC car laws

Tougher standards on emissions from small cars are set to be imposed on EC manufacturers from the early 1990s, following an unexpected breakthrough at EC meeting in Brussels. Page 2

Factory raid

Suspected Sinhalese Marxist rebels shot dead four people, including three Indian civilians, in a raid on a sugar factory in south-east Sri Lanka.

Hitch over PoWs

The biggest prisoner swap between Iran and Iraq immediately ran into trouble when the first captives were flown home with both Iran and Iraq reducing the numbers swapped. Page 4

Hungary retaliates

Hungary expelled a senior Romanian diplomat, Pavel Flautu, in retaliation for the expulsion of a Hungarian diplomat from Bucharest last week. Page 2

Baltic algae threat

Algae which choked marine life in huge areas of the North Sea last summer is threatening to take hold in the neighbouring Baltic Sea according to scientists monitoring the region.

40 student arrests

At least 40 people were arrested and two police officers injured when students protesting over education loans clashed with police in central London.

Nemeth elected

Hungarian parliament elected the youngest Prime Minister in its history, 49-year-old reform economist Miklos Nemeth committed himself to faster market-oriented economic reforms.

27 rescued at sea

Canadian Forces helicopter rescued a 27-man crew from a Liberian-registered freighter that had been in danger of sinking off Nova Scotia.

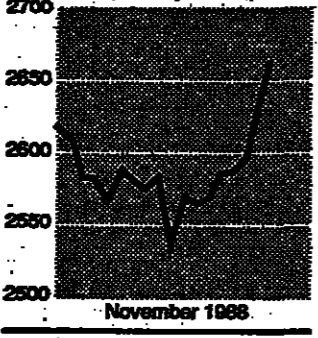
Business Summary

France and W Germany call for G7 summit

FRANCE and West Germany backed the holding of a meeting of the Group of Seven finance ministers soon after the inauguration of Mr. George Bush as the next US President in January. Page 2

Hong Kong

Hong Kong index 2700



Heavy local buying attracted overseas institutions into the market, which pushed prices sharply higher in a day of active trading. World stock markets, Pages 35, 36

PERNOD RICARD, French drinks group, is poised today to declare unconditional 12.45p per share offer for Irish Distillers to win the battle for the distiller after a rival bid by Grand Metropolitan, the largest spirits group in the world, lapsed after government intervention. Page 15

BERND OTTO was suspended from his duties as chairman of the Co op retail group of West Germany after offering to resign earlier this week in the wake of criticism about its confused finances and organisation. Page 15

SANDVIK, Swedish cemented carbide and special steels group, increased pre-tax profits by 41 per cent to SEK1.917bn (817m) during the first nine months of 1988, and predicted pre-tax profits for the whole year would exceed its earlier forecast of SEK2.5bn. Page 18

ALAN BOND, Australian entrepreneur, took the Hong Kong stock market by surprise when it was announced that he was at an advanced stage in negotiations to sell his 30.6 per cent stake in the colony's BE-TV and newly listed TVB television companies to an unnamed buyer. Page 19

SUMITOMO BANK recaptured its position as Japan's most profitable commercial bank in convincing fashion in the six months to September 30, with net income more than doubling to Y100.8bn (890.3m). Page 19

BRIELEY INVESTMENTS, New Zealand flag ship of Mr Ron Brieley's international investment group, is still interested in buying the Bank of New Zealand. Page 19

BAIQUER Bruxelles Lambert, one of Belgium's three leading commercial banks, reported that consolidated net profit after transfer to tax-free reserves rose by 10 per cent to just over Bfr1bn (111.4m) in the year ended September, while balance sheet totals moved up by 7.6 per cent to Bfr1.795bn. Page 16

MANHESMANN, diversified West German engineering group, said that nine-month group sales advanced 30 per cent to DM14.3bn (8.27bn) from DM11.02bn a year earlier. Page 18

BOOTS, retail and industrial chemicals, defied the gloom in the rest of the retail sector by reporting group interim profits up nearly 20 per cent at £132.4m (94m). The shares rose 4p to 239p.

NEW YORK markets were closed for celebrations to mark Thanksgiving

Soviet nationalism crisis deepens with Georgian protests

By John Lloyd and Quentin Peel in Moscow

THE CHALLENGE facing the Kremlin from nationalism in the Soviet Union's non-Russian republics deepened yesterday as legislators and street protesters in the republic of Georgia joined Armenia and the Baltic states in refusing to back proposed changes to the Soviet constitution. Troops or militia were being deployed in the capitals of all three trans-Caucasian republics of Georgia, Armenia and Azerbaijan.



Meanwhile in Baku, the capital of Azerbaijan, and two other towns in that republic, a curfew was imposed to rein in the anti-Armenian demonstrations and violence which have claimed at least three lives this week. The Georgian stance further complicated the Kremlin's efforts to push through amendments which would turn the Soviet republics' independence. These are to be voted on by the "all-Union" or national Supreme Soviet on Tuesday.

Paris links \$2bn Soviet credit to arms progress

By Paul Bets in Paris

FRANCE is expected today to finalise a \$2bn package of credits for the Soviet Union to coincide with the start of an official visit to Moscow by President Francois Mitterrand.

Mr Roland Dumas, French Foreign Minister, appeared to add a new twist to the current trend in international lending to the Soviet Union by suggesting yesterday that the French package would be linked to progress made in the talks on reducing conventional arms in Europe.

Mr Dumas will be travelling with President Mitterrand. He confirmed the French plan to extend credits to the Soviet Union through a group of French banks. The package would go "hand in hand" with the disarmament talks - but gave no details of what he had in mind by this.

Mr Mitterrand's visit is expected to give fresh impetus to economic co-operation between France and the Soviet Union. France is expected to finalise a series of important industrial agreements during the visit.

B&C wins £100m damages claim against Quadrex

By Clay Harris and Raymond Hughes in London

BRITISH & Commonwealth Holdings, the UK-based financial services group, yesterday won its £100m (180m) damages claim against Quadrex Holdings, the US-based securities company which earlier this year failed to complete its agreed \$200m purchase of two money-broking operations from B&C.

B&C now expects shortly to sell Mr. Marshall, the world's second largest money broker, and William Street Holdings, a US government securities broker, separately to consortia in which the companies' respective managements have equity stakes.

Prices have been agreed and the purchasers' financing arrangements are in place. B&C's financial advisers said yesterday. The total consideration, however, is unlikely to match the original \$200m price, which was set before the October 1987 stock market crash.

right is likely to remain in the new constitution. In Tbilisi, an opposition spokeswoman said that 500 people were taking part in a hunger strike on steps of the Georgian legislature, aimed at putting pressure on the republic's politicians to maintain their opposition to the constitutional changes. Georgian legislators had earlier voted to oppose "restrictive" clauses in the draft constitution.

From Yerevan, the Armenian capital, an eye-witness last night described demonstrators confronting tanks and troops drawn up in front of the Supreme Soviet and the central committee buildings in the middle of the town.

In Baku, capital of the neighbouring - and increasingly hostile - Azerbaijan, a curfew was imposed from 10pm to 5am and Soviet troops in tanks and armoured personnel carriers patrolled the streets.

This follows the death of three soldiers at the start of the week in the midst of ethnic violence in the town of Khojabad between Azeri and Armenians.

chairman of the state-controlled Elf-Aquitaine oil group, Mr Jean-Claude Levy, head of Framatome, the nuclear power-plant manufacturing group, and Mr Pierre Cardin, the fashion designer.

Mr Bouygues is negotiating the construction of two hospitals in the Moscow area worth about FF1bn each. Elf-Aquitaine is seeking exploration permits in the Caspian Sea and is negotiating to supply oil and gas exploration and production technology to the Soviets Union.

Seribo, another French group, is expected to sign an agreement to form a joint venture for the construction of a FF300m furniture manufacturing plant in Ukraine.

Elsewhere, Framatome is expected to offer to negotiate co-operation agreements in the nuclear power sector. Exports upsurge, Page 6; Moscow seeks partner, Page 6

MARKETS section containing financial data for Australia, New York, London, and other markets.

CONTENTS section listing various articles and their page numbers.

Editorial comments section listing various news items and their page numbers.

Mandela 'will not return to Pollsmoor prison'

By Anthony Robinson in Johannesburg

MR Nelson Mandela, veteran African National Congress (ANC) leader, will not be returned to prison from the Capetown clinic, where he is recovering from tuberculosis, but will be transferred to "suitable, comfortable and secure accommodation," Mr Kobie Coetzee, South African Minister of Justice, announced last night.

Severe restrictions which previously limited family access to Mr Mandela will be eased, so "he will be able to receive members of his family more freely and on a continual basis," the minister added.

He did not say whether Mr Mandela would also have easier access to a wider range of people, including political contacts.

At present, Mr Mandela is entitled to receive each year 30 visits of 40 minutes by not more than two people at a time.

The decision marks another stage in what appears to be a government plan gradually to return Mr Mandela to liberty, after 28 years in prison on charges of treason and terrorism.

Mr Coetzee cited "possible threats to his safety" as the main reason for continuing to confine him in "secure" accommodation, although he did not specify what or where this accommodation would be.

Fear of assassination has long been one of the reasons quoted by Government sources for its reluctance to release Mr Mandela.

Other reasons include concern about reawakening black aspirations for a rapid transfer of power to the ANC, unwillingness to accompany his release with a decision to remove the ban from the ANC and enter negotiations which could be construed by nervous right-wing whites as capitulation.

The risk of assassination by white extremists was underlined last week, when a 23-year-old white ex-policeman ran amok in central Pretoria, killing seven blacks and injuring many more.

Mr Mandela, who was 70 in July, is regarded as the symbol of opposition to apartheid by millions of black South Africans.

He was transferred from Robben Island to the elite Constantiaberg clinic in Capetown under police guard in August, when doctors diagnosed tuberculosis.

EC levies tax on Japanese dot printers

By William Dawkins in Brussels

THE European Community has imposed definitive anti-dumping duties of up to 47 per cent on almost all of Japan's exports of dot matrix computer printers to the Community.

Its decision, passed without debate by a ministerial meeting in Brussels, hits \$1.3bn worth of sales by 15 leading Japanese electronics companies and constitutes one of the EC's biggest anti-dumping actions.

The Japanese companies have been subject to provisional duties of up to 33.4 per cent since May. This meant that they had merely to take out bank guarantees to cover the levies. Now the Japanese exporters must pay in cash at EC frontiers.

The duties take effect as soon as they are published in the EC's official journal, likely in the next few days. Japanese trade officials instantly condemned the levy.

While the switch from provisional to definitive duties was expected, it forms a fresh source of tension for the EC's increasingly difficult trade relations with Tokyo. It comes less than two weeks before the mid-term review of the Uruguay Round of multilateral trade negotiations in Montreal.

The companies involved have little choice but to stick to the price rises which many of them instituted before the duties. An EC anti-dumping rule adopted since the start of this case obliges them to raise prices to take full account of the duties rather than take this extra cost out of profits. Some, however, are believed to have

Attempt to end deadlock on digital audio tapes

By Laura Raun in Amsterdam and Terry Dodsworth in London

A NEW ATTEMPT to break the deadlock on the development of the fledgling digital audio tape industry will be made in London next week at a top-level meeting between international record producers and equipment manufacturers.

The two-day conference, on Monday and Tuesday, is aimed at finding a solution to the bitter conflict over copyright that is threatening to strangle the industry in its infancy. Music production companies have consistently opposed the launch of the new digital audio

tape (DAT) players without firm copyright protection, since they allow the copying of compact discs on to equally high quality digital audio tapes.

The new initiative follows broad agreement between European and Japanese equipment manufacturers on a new anti-copying device that would allow the user to make only one copy from a compact disc. A digital signal embedded in the disc is imprinted on the digital tape and prevents further copying.

Continued on Page 14

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EUROPEAN NEWS

French objections hamper talks on conventional arms

By Judy Dempsey in Vienna

WORK ON setting up new talks on reducing conventional arms in Europe has virtually come to a standstill over procedural objections raised earlier this month by France, to the dismay of other Western states. Nato and Warsaw Pact delegates did not hold their usual meetings this week because "we had simply nothing to say," in the words of one Nato diplomat.

French concerns focus on the precise relationship between the proposed "Conventional Stability Talks" (CST), which are expected to group the 16 Nato members and the seven nations of the Warsaw Pact, with the existing Conference on Security and Co-operation in Europe (CSCE), which also includes 12 neutral and non-aligned states, making 35 participants in all.

All the Western participants broadly agree that the CST should be linked to the CSCE process. But while the United States, in particular, has sought to make the CST relatively independent, France wants to tighten the relationship between the two negotiating forums.

The impasse has dampened hopes, most strongly voiced by West Germany and the Soviet Union, that the conventional arms talks can start early next year.

France's Western critics complain that the objections

from Paris appear to overturn a prior agreement among all 23 of the proposed CST participants: the agreed formula, they say, was that the 23 would regularly brief their neutral and non-aligned (NINA) partners in the CSCE process, but the NINA states would not be allowed to interfere in CST proceedings.

Earlier this week, France put forward 10 "talking points" to the 23, clarifying its views. CSCE, another key French concern is that the CST should be designated as talks between the 23 individual nations which make up Nato and the Warsaw Pact, rather than "block-to-block" negotiations. This reflects France's status as a member of Nato's political wing but not its military wing.

Non-French diplomats say Paris was assured that the CST would not be "block-to-block" when negotiations started in February 1987.

Apart from details of the mandate for setting up the CST talks, the CSCE talks are also being held up by lingering differences within the Western camp over human rights issues. The CSCE talks have to be concluded successfully before the CST can begin. Differences focus on what exact conditions to be set before agreeing to Moscow's wish to hold a human rights conference in 1991.

Paris fights shy of airlines shake-up

By Paul Betts in Paris

THE FRENCH Government decided yesterday against a radical overhaul of the country's airlines, choosing instead to make relatively modest adjustments in the industry's structure to adapt it to an increasingly deregulated international airline environment.

Mr Michel Delebarre, the Socialist Transport Minister, announced yesterday that the Government had rejected the idea of merging Air Inter, the domestic state-controlled airline, with Air France, the French international state flag-carrier. But he said the Government had also rejected demands for European routes by UTA, the independent airline controlled by the French Chateaux group which specialises in long haul services to the Far East and Africa.

Instead, Mr Delebarre said the Government wanted to encourage greater co-operation between Air France and Air Inter to enable Air France to offer a wider range of domestic services at the same time as giving Air Inter the opportunity to fly outside France.

Air Inter would retain its monopoly on domestic regular flights. But it would be able to fly to new European destinations under the Air France banner in return for allowing Air France to fly domestic routes under the Air Inter banner. The two companies have already started co-operating on this with Air Inter now flying to Madrid and Air France operating under the Air

Inter banner a Paris-Marseille service.

Mr Delebarre also said the Government wanted to encourage the development of charters in France and of regional European airline services. This appeared to be the only concession made to UTA, which plans to launch the European operations of its Aeromartime charter subsidiary.

But apart from refusing permission for UTA to operate regular services in Europe, officials also said yesterday the Government did not favour granting UTA rights to extend its services to North America where it would be competing directly against Air France.

The Government's long awaited decision on the future of the French airlines industry are thus a big blow for UTA. Mr Jerome Seydoux, the chairman of Chateaux and the independent airline's principal shareholder, had campaigned fiercely for the right to extend UTA's services to Europe and to new US destinations. He even went as far as threatening to sell the airline if he was not given these rights.

But the new proposals also fall short of Air France's ambitions to absorb Air Inter. The French international flag-carrier has long argued that at a time when its principal competitors were consolidating their positions such as, for example, British Airways with British Caledonian, France could ill-afford to have two international airlines and one domestic airline.

Irish cabinet reshuffled

By Kieran Cooke in Dublin

THE IRISH Prime Minister, Mr Charles Haughey, has announced a limited reshuffle of his cabinet following the appointment of Mr Michael Smith, the former Minister for Finance, to Brussels as EC Commissioner.

Mr Albert Reynolds, Minister for Industry and Commerce, becomes Minister for Finance. Mr Reynolds' place is taken by Mr Ray Burke, the former Minister for Energy, while Mr Michael Smith, a Minister of

State in the Department of Energy, joins the cabinet with charge of the energy portfolio. Mr Reynolds is regarded as a competent administrator, one without previous experience in finance. He first joined the cabinet in 1979 as Minister for Posts and Telegraphs. His business career spans pet food and managing dance halls. Mr Burke is a former auctioneer who at one time fell out of favour with Mr Haughey but who has made a comeback.

Italian rail chiefs ready to quit over losses

By John Wyles in Rome

THE 13-member board of the Italian state railways, engulfed by scandal, vertiginous financial losses and an evident waning of political confidence, yesterday put its back to the wall and invited the Government to sack it.

Under the agreed deal, which was blocked earlier this year when the French Government withdrew its support at the eleventh hour, the stricter exhaust levels will have to be implemented for new models of less than 14 litres by October 1, 1992, and for new cars of the same size a year later.

The standards are exactly the same as those provisionally approved by Ministers in June, namely, 30g per test for carbon monoxide and 5g for a combination of hydrocarbons and nitrogen oxides. Many manufacturers at the moment respect 45g and 15g respectively, though these levels are not due to come into effect formally in the EC until 1990-91.

The so-called second part of the small cars package appears to have foundered over the summer on French resistance to plans by the Dutch Government to introduce special tax incentives to encourage the manufacture of even cleaner cars. These are specifically designed to promote the adoption of catalytic converters, a technology from the US which is claimed to be more efficient

EC environment ministers in unexpected breakthrough

Date set for car emission controls

By Tim Dickson in Brussels

TOUGHER STANDARDS on emissions from small cars are set to be imposed on EC manufacturers from the early 1990s, following an unexpected breakthrough in negotiations by Community Environment Ministers meeting in Brussels yesterday.

Under the agreed deal, which was blocked earlier this year when the French Government withdrew its support at the eleventh hour, the stricter exhaust levels will have to be implemented for new models of less than 14 litres by October 1, 1992, and for new cars of the same size a year later.

The standards are exactly the same as those provisionally approved by Ministers in June,

at reducing pollution than the more familiar lean burn engines.

Yesterday's breakthrough came after the European Commission promised to challenge the Dutch incentive in the European Court of Justice, when they are introduced next year, and use the subsequent judgment as a test case for similar national actions elsewhere.

Undaunted, the Dutch Minister, Mr Ed Nijehs, said that the scheme would go ahead anyway and expressed his confidence that the Netherlands would win on the basis of an earlier environmental ruling in favour of Denmark.

Lord Callaghan, for the UK,

voiced strong reservations about Dutch-style tax incentives specifically intended to encourage three-way catalytic converters.

France, meanwhile, which is concerned about the effect of the incentives on the unity of the European market, dropped its opposition to the package yesterday, but along with Spain issued a unilateral declaration that it understood the new standards would apply for at least five years.

Under the agreement, which has yet to be endorsed by the European Parliament, the Council is committed to consider revised proposals from the European Commission by the end of 1991.

Yugoslavia set for big economic reforms

By Aleksandar Lebl in Belgrade

AGREEMENTS to the Yugoslav constitution which pave the way for a more market-oriented economy are expected to receive final approval from the country's federal assembly today.

The changes, which should help to reduce political interference in the economy, allow for new forms of control of economic units, including private, public and mixed ownership. "Social" ownership will remain the predominant model.

The reforms make possible the issue of bonds and shares, and the creation of a securities market. The existence of markets in capital, labour and commodities will be officially recognised.

The new constitution should also facilitate foreign investment, and provides for full foreign ownership of Yugoslav companies.

Among the most fundamental changes is the replacement of the "Basic Organisation of Associated Labour" (BOAL, or worker-managed co-operative) as the dominant unit of economic activity, with the broader term "enterprise".

In contrast to the BOAL, enterprises will have full title to their "social property" such as land. It will also be recognised that the purpose of an enterprise will be to make profits, a concept that has hitherto hardly been acknowledged.

Banks will no longer be considered a "service to the economy"; they will instead become independent financial institutions responsible for their own decisions, including those on how to invest their clients' funds.

Yugoslav National Bank will have an enhanced regulatory role, more like a Western central bank, as opposed to its current status which is sometimes described as that of a department of the Finance Ministry.

Unilever chief speaks up for 1992 consumers

By Laura Reum in Amsterdam

EUROPEANS should be able to spend less of their household budget on more and better products in the supermarket after 1992, says Mr F.A. Majers, chairman of Unilever.

The head of the huge Anglo-Dutch food and detergent group last night predicted that abolition of many national food and drug restrictions would unleash a wider choice of goods. Health and convenience products will draw more attention while "Europeanisation" of tastes would be tempered by regional preferences.

"The outcome will be a wider range of more varied products in each country but a more uniform supply throughout Europe as a whole," Mr Majers forecast. Economies of scale should reduce prices but he advised big international companies to remain flexible in order to respond to new product developments.

Mr Majers also warned that limited consumer influence was a political problem because their interests could be trampled by small, aggressive pressure groups. "European consumers ought to be the ones who benefit most from the opening of the EC's internal borders in 1992," he said. "But strangely enough it seems that they risk becoming a forgotten group. The fact that people are consumers has so far been of secondary importance compared to their other roles, for instance as a civil servant or dairy farmer or employee in an endangered branch of industry."

Polish foreign exchange reforms

By Peter Montagnon, World Trade Editor

POLAND is to prune dramatically its central allocation of foreign exchange resources from next year in an effort to increase business efficiency and boost exports, Mr Andrzej Wojcik, State Secretary for Trade said in London.

Increased retention of foreign exchange earnings by business, and government plans to auction more than \$2bn in foreign exchange to Polish enterprises will mean that the state will dispose centrally of only around 30 per cent of total foreign exchange resources compared with 70 per cent this year.

Mr Wojcik told the London Chamber of Commerce that the decentralisation of foreign exchange was in line with prescriptions for the Polish economy by the World Bank. The system introduced in late 1986 allowing businesses to retain

part of their foreign exchange earnings has been a significant factor in Poland's hard currency exports to rise by over 20 per cent in each of the past two years, he added.

This year Polish enterprises had been able to place some \$2bn in special retention accounts in the Polish banking system. Next year the amount would be increased and enterprises would be able to trade currency among themselves.

Including the auctions, as much as \$5bn could thus become available to business next year at a market-clearing rate. The Government would retain funds for central purchasing of certain commodities such as medical goods and some limits would also be placed on market exchange purchases by enterprises to prevent excessive imports of consumer goods.

"We're pretty sure that the (market) rate will not be excessive," he added. It should not be necessary for the central bank to intervene. Poland's official exchange rate is Zloty 490 to the dollar but the US currency costs as much as Zloty 2,700 on the black market.

Within a couple of years it should be possible for the official rate and the market rate for business to merge as the first stage of a long road towards currency convertibility, Mr Wojcik said. Eventual success in this respect would, however, depend on finding a way to deal with the black market.

At present Poland simply does not have the resources to satisfy the demand for dollars among private individuals, but Mr Wojcik reiterated his ministry's view that the thriving black market in currency should be legalised.

Hungary expels envoy in row with Romania

By Leslie Collett in Budapest

HUNGARY yesterday expelled a political counsellor of the Romanian embassy, Mr Pavel Platona, in retaliation for the recent detention and expulsion by Romania of the Hungarian commercial counsellor in Bucharest, Mr Karoly Gyocffy.

The diplomatic incident, unprecedented in relations between two Warsaw Pact countries, coincided with the assumption of office by the new prime minister, Mr Miklos Nemeth, 40, who was formally approved by Parliament.

Relations between Hungary and Romania have deteriorated sharply following complaints from Budapest over the treatment of the 15th ethnic Hungarians in Romania, and over Bucharest's plans to bulldoze thousands of villages in a Hungarian-populated area.

Mr Nemeth pledged on being elected that his reform-minded Government would seek a "coalition" with non-party citizens and would choose more of its senior officials from outside the party.

He pledged a dramatic rise in private business ownership and greater security for the private sector, declaring that "private owners must have assurances."

Mr Nemeth, a member of the ruling politburo, said the party and government had to demonstrate their credibility to the Hungarian public as well as to foreign partners in the East and West by carrying out the economic reforms.

Mr Karoly Gyocffy, Hungary's Communist party leader, had until yesterday combined that role with the post of prime minister. He told Parliament yesterday that legitimate impatience over the pace of reforms "must not spill over into anarchy."

Gdansk seeks share of local taxes

By Christopher Bobinski in Warsaw

LOCAL government officials in Gdansk, Poland's third largest industrial city and the scene of clashes between the authorities and the banned Solidarity movement, are seeking sweeping changes in the way local spending is financed.

The council wants up to one third of the taxes levied in the area to be left in the hands of local councils to be spent as they wish.

The initiative coincides with the appointment of Mr Jerzy Jedykiewicz, 42, a reformist industrial manager, as head of the province, to replace Gen-

Dam democracy sparks Hungarian row

By Leslie Collett in Berlin

HUNGARY's long dormant, neo-Gothic parliament on the Danube Embankment yesterday rang with charges and counter-charges over alleged manipulation of voting.

Mr Zoltan Kiraly, a Member of Parliament, accused the "comrade speaker," Mr Istvan Stadinger, of "irregularities" in a key vote last month.

Deputies voted on whether Hungary was to complete its portion of a controversial dam on the Danube being built with Czechoslovakia.

Thirty-two deputies who opposed the dam signed a petition calling for a secret ballot. But Mr Stadinger called instead for the customary show of hands which produced an overwhelming majority in favour of the Government's proposal. Normally this would not have been surprising as 75 per cent are party members.

But yesterday's session of parliament showed that discipline is waning as pressure mounts for greater party democracy.

Mr Istvan Avar, popular actor and party member,

Italy set to close the book on masterpiece

By John Wyles in Rome

MUCH of Italy was dazed with cultural shock yesterday by the news that a panel of educational experts may recommend that reading Italy's most celebrated modern novel should no longer be obligatory in schools.

Generations of young Italians have either been enchanted by Alessandro Manzoni's *I Promessi Sposi* (The Betrothed) or yawned their way through its many hundreds of pages.

But post-war authorities have never tolerated ignorance of its story of the tortured path pursued by the young lovers, Renzo and Lucia, to a 17th-century altar.

Now, however, the desire to relax a highly centralised grip on the national curriculum may just leave individual schools to decide whether their pupils should be exposed to a work which is part historical novel, part moral tract and all the way through, one of the finest pieces of writing in the Italian language.

For this last reason alone, the defensive battalions in Italy's vocal army of intellectuals might liken a permissive approach to the reading of Manzoni to a British government ban on any mention of Shakespeare in the national schoolrooms.

Mr Alberto Moravia, octogenarian author who did not read the novel at school, wrote in a newspaper yesterday that its story was "mediocre" but its literary style "is altogether something else."

If it were to be dropped from the literary curriculum then "you would jump directly from Gilgamesh to Svevo," he added authoritatively.

Written in 1827, Manzoni

Investment spending has risen faster than expected

Investment spending has risen faster than expected and consumer spending, fuelled by unexpectedly large wage increases, has tended to run well above planned rates.

The problem is that economic reforms appear to have got ahead of themselves, the Bulletin says. The decision-making process for enterprises has been decentralised before the authorities have had time to develop an effective market system subject to the discipline of appropriate policy instruments. In effect there is a risk that a large measure of macro-economic control may be lost.

The result is increasing concern about inflation, not only in Hungary and Poland where price rises are already running at 15 per cent and 70 per cent respectively, but also in the Soviet Union.

Correction

A photograph in yesterday's Financial Times was of Mr Karoly Nemeth, a former Hungarian politician, and not as stated the new prime minister, Mr Miklos Nemeth.

Upsurge in Eastern European exports to the West is forecast

By Peter Montagnon, World Trade Editor

AN UPSURGE in hard currency exports to the West, slight import and heightened industrial production as a result of economic reform are among the main features of East European economies analysed today by the United Nations Economic Commission for Europe.

The past few months have seen an upswing in East-West trade after four years of stagnation, but despite optimism sparked by region's economic reforms, the outlook remains uncertain.

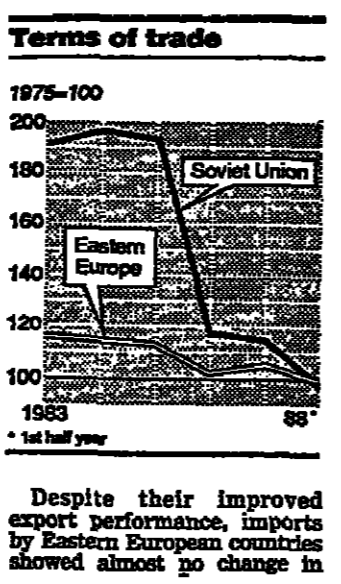
Though some of the factors which have spurred up Eastern European exports this year may continue, imports are likely to remain constrained by a reluctance to borrow on the part of the Soviet Union and other Comecon countries and an expected further decline in

Soviet terms of trade as a result of falling energy prices.

In volume terms, East European exports to the West rose by 6 per cent a year in the first half of this year while a particularly high rate of growth of 12 per cent was registered by the Soviet Union.

Among the reasons for this, the Bulletin says, were high import demand in the West, organisational changes in Eastern European economies including a more realistic exchange rate policy and, in the case of countries such as Hungary and Poland, pressures resulting from high debt burdens.

A large part of the increased Soviet exports was accounted for by higher fuel deliveries, a policy which the Bulletin expects Moscow to continue in 1989.



volume terms during the first half, but those of the Soviet Union rose by 10 per cent. The sharp reduction in import volumes over the two previous years and was largely accounted for by grain purchases from the US.

Theoretically, the lag between growth in import volumes and that of exports should lead to an improving trade balance for Comecon countries as a whole, but the Bulletin says the picture changes, particularly for the Soviet Union, when trade figures are examined by value and invisible earnings are factored in.

It projects a decline in the Soviet current account balance of payments surplus to \$6bn from \$7.5bn in 1987, and a smaller drop to \$700m from

\$1.5bn in the surplus of the rest of Eastern Europe.

The Bulletin goes on to portray a relatively rosy picture of Eastern indebtedness. The sharp \$38.5bn increase to \$101.7bn in the region's net foreign debts between 1984 and 1987 has frequently been misunderstood, it says.

This largely reflects valuation changes resulting from the decline in the dollar's value. Only \$5m was due to actual new borrowing, it says, and although some countries may be net borrowers this year the dollar's appreciation since January is likely to lead to a decline in overall net indebtedness to \$99m.

Though some countries, such as Hungary and Poland remain constrained by existing debts, others, particularly the Soviet Union, have a marked

record of conservative debt management.

The Soviet Union responded to the dramatic decline in its terms of trade in the mid-1980s by forcing up exports, increasing gold sales and constraining imports. Now it is unlikely to emerge as a major borrower.

The Bulletin has identified \$10bn in trade credit lines signed up or under negotiation by the Soviet Union during recent months, but it cautions that on the basis of current policy the credits are unlikely to be fully drawn. The Bulletin also paints a relatively bright picture of growth prospects for the region this year. Real growth in 1988 is expected to be around 4.7 per cent, it says. This will be roughly double last year's 2.3 per cent, even if it is below official targets of 5.9 per cent.

Investment spending has risen faster than expected and consumer spending, fuelled by unexpectedly large wage increases, has tended to run well above planned rates.

The problem is that economic reforms appear to have got ahead of themselves, the Bulletin says. The decision-making process for enterprises has been decentralised before the authorities have had time to develop an effective market system subject to the discipline of appropriate policy instruments. In effect there is a risk that a large measure of macro-economic control may be lost.

The result is increasing concern about inflation, not only in Hungary and Poland where price rises are already running at 15 per cent and 70 per cent respectively, but also in the Soviet Union.

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AMERICAN NEWS

Reagan vetoes ethics legislation

By Nancy Dunne in Washington

PRESIDENT Reagan, whose administration was rife with ethics scandals, has vetoed legislation to tighten and extend restrictions on lobbying by former government and congressional employees and executives.

House spokesman, called the bill "frivolous, excessive and discriminatory". Its restrictions would discourage talented people from entering government service, he said.

In Washington in recent years, lobbyists have gained in numbers and influence over both legislative and executive branch actions. Often government employment, either for an administration or on Capitol Hill, has become simply a temporary step providing the contact and inside knowledge necessary on the way to a lucrative career in lobbying.

close aide to President Reagan, was convicted of illegal lobbying activities under current ethics legislation, which prohibits all executive branch and independent agency employees from lobbying former employers or agencies on matters in which they were "personally and substantially" involved.

The incredible shrinking cruzado

By Ivor Dawney in Rio de Janeiro

JUST two weeks back, it was hard to encounter the crisp new five thousand cruzado note. Yesterday, as Brazilians were handling them in bunches of tens bound together by dirty rubber bands, the first C210,000 bills hit the streets.

The impact of this startling degeneration has changed lifestyles and even lives. For the embattled middle class, now in visible decline, housewives are for the first time dispensing with their maids, an unprecedented austerity measure involving a serious loss of social status.

purchase made. But for the vast creditless bulk of Brazil's 145m population, there is no such protection. Instead, little tricks are used to reduce the agony.

Only the super-rich with overseas bank accounts or large personal holdings of property, gold or other non-cruzado assets can escape the consequences of a currency that shrinks by a percentage point a day.

Husbands, meanwhile, search daily for the best assets to protect the family wallet. The rich will buy stocks - the market is a surprising beneficiary from the currency's decline - property or even whole companies.

They can even tell jokes about it. For example, is the definition of hyper-inflation? Answer: When it is cheaper to take a taxi than a bus, because you only pay a taxi on arrival.

US drought lifts Argentine trade surplus

ARGENTINA has recorded a sharply improved trade surplus for the first eight months of 1988, according to official figures just released. Gary Mead writes from Buenos Aires.

The improvement, by 245 per cent over the same period for 1987, means the country achieved a trade surplus of \$2.25bn (£1.25bn) between January and August this year. Last year the surplus for the whole year dropped to \$389m, against surpluses of \$2.13bn in 1986 and \$4.58 in 1985.

Democrats face colour problem

Stewart Fleming on the legacy of the presidential election

THE election button most in favour last weekend in Phoenix, Arizona, at the first post-election gathering of the Democrat Party's state leadership since the presidential election on November 8, read: "If it ain't broke don't fix it. Keep Kirk."

whites who vote primarily on racial grounds, as many do, but also other traditionally Democratic voters, including Jews, who find Mr Jackson or his left-of-centre politics unacceptable.

Mr Brown, a 46-year-old Washington lawyer, is regarded by many Democrats as a man of integrity and ability. A former top aide to Senator Edward Kennedy, he is also seen as a man of independent judgment who would not be dictated to by any part of the Democratic Party.

Reassured by their strength at local level, many Democrats hope Mr Kirk will announce, perhaps next week, that he is ready to serve another term. Since he would be assured of re-election, Democrats who oppose Mr Jackson see such a decision as a way of avoiding a potentially bloody ideological battle with racial overtones.

Some Democrats suspect that, were Mr Brown to be elected DNC chairman, the top job in the party organisation, public perception of his selection would be that he is Mr Jackson's man and that the controversial former civil rights leader was considerably strengthening his influence in the party, pulling it to the left.

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Daunting agenda for Mulroney

Winning the Canadian poll was only the start, reports David Owen

MARTIN BRIAN MULRONEY, an Irish electrician's son, has good reason to be pleased with the first he chalked up in the Canadian general election. He was the first Conservative Prime Minister since the 1890s to win consecutive majorities nationally and also in Quebec.

Privatisation and deregulation will also proceed, with the sale of at least a portion of Petro-Canada, the C\$5bn (£2.3bn) Calgary energy company, likely to be on the agenda. Revised legislation for deregulating the financial sector is also expected to be proposed in the short term.

to continue. As a major element of this, the Government is expected shortly to announce its choice of design for a proposed C\$3bn (£3.6m) fleet of 10 or 12 nuclear-powered submarines. Britain and France are in a running for the lucrative design contract.

With most economists projecting slower economic growth next year after five years of expansion, the Prime Minister will have to show that he cares.

But these firsts will be ephemeral satisfactions as he contemplates a daunting second-term agenda. His initial task, legislation implementing the free-trade agreement with the US, the main issue in the election, is probably the easiest. Mr Mulroney will probably reconvene Parliament about December 12 to pass the legislation necessary for the agreement to take effect around January 1.

On the first, the lengthy ratification process for the Meech Lake constitutional accord will continue. The accord promises to bring Quebec into the Canadian confederation for the first time and to transfer some powers from Ottawa to the provinces. It is the cornerstone of Mr Mulroney's "co-operative federalism". Though endorsed by both opposition parties, it is thought by some powerful critics, among them former Prime Minister Pierre Trudeau, to contain the seeds of Canada's disintegration.

The prompt reintroduction of the parliamentary confidence-of-interest bill, which died on the statute book when the election was called, would help start this process on the right foot. So would ensuring a helping hand to those who lose out in the dislocations caused by the trade deal.

With most economists projecting slower economic growth next year after five years of expansion, the Prime Minister will have to show that he cares.

Advertisement for Hampshire Development Association. Features three building options: Bracknell (£7.15 sqft), Reading (£6.85 sqft), and Southampton (£4.60 sqft). Includes contact information and a coupon for more details.

Advertisement for Peter Dominic wine. Features a large graphic of wine bottles and the text "ANY 3 for £5.99". Includes a list of wine types and a special offer coupon.

OVERSEAS NEWS

Half Australia's top ten exporters are Japanese

By Chris Sherwell in Sydney

AUSTRALIA'S deep dependence on commodities, foreign capital and Japanese trading companies was underlined yesterday with the publication of a table showing the country's Top 500 exporters.

The listing, published in Australian Business, a weekly magazine, was said to be the first of its type and makes sobering reading. Five of the top ten exporters are Japanese trading giants. Only nine of the top 20 are not foreign controlled, and just one is a manufacturer.

The list, however, splits up the divisions of certain companies to allow easier comparisons. Had the minerals, petroleum and steel divisions of Broken Hill Proprietary (BHP) been lumped together, Australia's largest company would have occupied the number one position.

As it is the top position, with an export revenue of A\$2.5bn (£1.15bn) is taken by Mitsui Australia. Mitsubishi Australia is at number four, C.Itoh at six, Marubeni at seven and Nishio Iwai comes in at ten. Also in the top 20 are Sumitomo and Toyoko.

Among the other foreign companies, Alcoa, the US aluminium group, comes in at five and Esso Australia at 16. The resources group CRA, which is 49 per cent owned by RTZ of the UK, would have been second had its Comalco aluminium group (3) from one (11) diamonds (28) and coal (30) diamonds been combined.

Of the BHP divisions, BHP Minerals ranks number two, with A\$1.98bn, while BHP Steel stands at 13, BHP Petroleum at 15 and BHP Manufacturing at 17. Significantly, the next manufacturer to appear after BHP Steel is General Motors-Holden, at 32.

Among Australia's soft commodity exporters, the Australian Wheat Board, which has a monopoly of the country's wheat exports, ranks number three, CSR's sugar division is at 14 and Australian Meat Holdings at 20. Elders International Wool is at 23.

Other Australian mining groups to rank prominently include MIM at number eight, North Broken Hill at 12, and Western Mining at 17.

Companies above the rank of 65 earned annual export revenues of more than A\$100m.

Perhaps the most unusual exporter listed is Kooragang Wine Estates in 1987-88 it sold A\$2.5m-worth of wine and kangaroo scrotum purses to Japan, the US and West Germany, its ranking was 402.

S African arrested in bank scandal

THE HEAD of a financial empire based in one of South Africa's black homelands yesterday appeared in court on charges of fraud as further details emerged of a multi-million rand banking scandal, Reuter reports from Johannesburg.

Mr Albert Vermaas, a white Pretoria lawyer, was granted bail in Pretoria's regional court after police arrested him on Wednesday on charges of fraud, violating banking laws, theft and contempt of court. His passport was seized.

This week an official inquiry revealed that companies controlled by Mr Vermaas, Eurotrust (Clk) and Eurobank, both based in the nominally independent Ciskei, an impoverished Indian Ocean homeland, had illegally taken R150m (\$82m) in deposits from about 600 South African investors.

The investors, lured by exceptionally high interest rates of up to 40 per cent, included the local arm of SOS Children's Village, the international charity, and the Federation of Ciskeian Women, along with businesses and other bodies.

The state Iron and Steel Industrial and the black National Union of Mine-workers said they had withdrawn deposits earlier, on learning details of the operations.

The 65,000-member Public Servants' Association said yesterday it had appointed lawyers to help safeguard its heavy investments with the companies.

The South African Reserve Bank obtained a Supreme Court order this week freezing funds held by Mr Vermaas and his companies pending the holding company Verco Holdings and instructing that deposits be returned.

Police said they grounded the nine aircraft of Chiefrain Aviation, a subsidiary of Verco, after several tried to leave from various airfields for foreign destinations in defiance of the Supreme Court order.

Central bank officials said they estimated the net book value of the group's assets at R123m. About R109m is invested in the airline, which ran both chartered and scheduled flights.

The case could prove embarrassing to the Reserve Bank, which had repeatedly accepted assurances from Mr Vermaas that his companies would stop unauthorised deposit taking.

A Johannesburg newspaper on Wednesday published a picture of Mr Gerhard de Kock, Reserve Bank governor, sitting next to Mr Vermaas earlier this year as his guest of honour at a game farm owned by the entrepreneur.

The case is the latest in a series of business scandals tied to the four black homelands, recognised as independent only by South Africa and each other.

Reform poses a conundrum for Lange

Dai Hayward discounts rumours of a cabinet coup against New Zealand's PM

RUMOURS of an imminent cabinet coup against Mr David Lange, New Zealand's Prime Minister, can be discounted. But speculation continues over rifts between the Prime Minister and his Finance Minister.

The debate is over economic reform versus social reform: each faction agrees that both reforms are necessary but they differ over the emphasis each should receive during the Labour Government's second term.

The rift is emphasised by the fundamental differences in outlook of the two men. Mr Lange, with his background as a Methodist lay preacher, has an acute social conscience and a strong desire to improve life for the poor. Mr Douglas, a former Labour Party leader, is a hard-headed technocrat, dedicated to efficiency and economic reform who believes these must be in place before social reforms can be sustained.

The exposure to market forces, the removal of subsidies and the rapid dismantling of protective barriers have hit some sectors of industry and of society exceptionally hard. Mr Douglas argues that these hardships are the inevitable short-term consequences of the economic restructuring of the economy.

No other member of Cabinet or potential party leader has the numbers in the Labour Party caucus to defeat Mr Lange. They know that, so, too, does the Prime Minister, who has an efficient intelligence system and knows which MPs he can rely on.

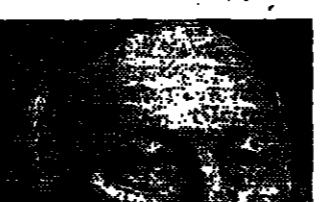
Potential challengers also know that without Mr Lange as leader, the Labour Government's chances of re-election in 1990 - which already look slim - would vanish entirely.

Those ministers grouped around the Finance Minister are, like him, dedicated to continuing the pace of economic reform. Others, including the Prime Minister, think that while the direction of reform should not change, more effort should be directed at social reforms to show the public that Labour's policies, and the pain they have brought to a large sector, have been worthwhile.

The differences between the two men are not such as to induce Mr Douglas to mount or even support a challenge to the leadership. Mr Douglas does not want to be Prime Minister. He is much more interested in spearheading the economic revolution which has had such an impact on the traditional way of life over the past four years.

While the Finance Minister and Prime Minister might argue violently over the pace of change in Cabinet - and sometimes reveal their differences in public - Mr Douglas would not stand against the Prime Minister in any leadership tussle. If he did he would lose.

Some sections of the media, which have sensationalised



Douglas: concern to safeguard economic reforms



Lange: unlikely to be ousted as Prime Minister

some recent events, including the dismissal by Mr Lange of Mr Richard Prebble, former minister in charge of state-owned assets, would like to think otherwise. Reports have suggested, with little foundation, that a plot against the Prime Minister is being organised and that a coup is imminent. All are wildly exaggerated.

Not only does Mr Douglas does not want to be Premier, nor would any slowing down of his policies be sufficient gratification to induce him to resign. Mr Geoffrey Palmer, the deputy prime minister, is intensely loyal to Mr Lange. Each this week, in an effort to dampen down the mounting speculation, he unreservedly and emphatically declared his loyalty to the Prime Minister.

Mr Mike Moore, the energetic fast-moving Minister of Overseas Trade, has been counted as a possible leader. Mr Moore makes no secret of the fact that one day he would indeed like to be Prime Minister - but not as the result of a messy political fight.

Although he frequently captures the public imagination and applause because of his well-defined sense of public relations, Mr Moore would not have the backing of enough MPs to be a contender against Mr Lange.

The man with the best chance of beating Mr Lange, as far as popular support among fellow MPs is concerned is Mr David Caygill. Formerly Mr Douglas's right-hand man in the Finance portfolio, Mr Caygill is now Minister of Health - an extremely effective cabinet minister with considerable ability. But he lacks charisma and the doubt in the minds of most MPs would be whether he could take them to victory in 1990.

Mr Lange, however, not only has the numbers in caucus but also enjoys the popular support of the public. His removal, Mr Prebble enhanced that. Mr Lange is likely to be speaking the truth when he says he knows that there is no plot against him and he is unconcerned about the media speculation.

But the continuing reports have created an opportunity in the minds of the public and the business sector. The differences aired in public and Mr Lange's arbitrary reserve to cancel some of the economic proposals announced by Mr Douglas, are undermining Labour's public popularity. Already trading in the public opinion polls, it needs a public demonstration by the Prime Minister and Finance Minister that both are still pursuing the same goals.

Mr Lange believes Labour will be re-elected in 1990 if it can deliver the social changes and improvements to the quality of life which he promised in last year's election campaign. And Labour is re-elected in 1990 he will almost certainly be the one leading them.

Japanese industrial output ahead 2.4%

By Michio Nakamoto in Tokyo

JAPAN'S industrial production for July to September rose 2.4 per cent over the previous quarter, according to the Ministry of International Trade and Industry.

The increase in the index, which reversed a modest decline of 0.2 per cent registered for the April to June period, was supported primarily by firm growth in personal consumption and capital investments as well as renewed strength in exports.

The seasonally adjusted index representing production in the mining and manufacturing sectors, rose to 113.5 in the third quarter against a 1985 base of 100.

Miti said the increase reflected buoyant demand for intermediate goods, such as car parts, from domestic and overseas markets.

The growth in demand from overseas was reflected in the shipment index for the third quarter, which was up by 2.2 per cent to 113.5.

The overall rise in shipments represents a substantial increase over the 0.4 per cent gain registered in the period from April to June, while the rise in exports of 3.7 per cent was the highest since the January to March quarter of 1976. Miti expects industrial production to continue on a moderately upward trend and said the Government's growth forecast of 7.5 per cent for fiscal 1989, ending next March is likely to be achieved even if production stays static for the remaining four months.

Sharpeville reprieve fuels rights campaign

By Anthony Robinson in Johannesburg

HUMAN RIGHTS lawyers in South Africa stepped up their campaign for the establishment of a commission to review the question of capital punishment yesterday as the government bathed in the unaccustomed warmth of international approval for President F.W. Botha's decision to grant a reprieve for the "Sharpeville Six".

Their concern about the apparent arbitrary nature of the presidential clemency process has been underlined by the Sharpeville decision and by the last minute reprieve of Mr Paul Setlaba, a 23-year-old convicted "common purpose" murderer.

Mr Setlaba, convicted in 1986 for involvement in the mob murder of a black woman in a black township near Colesburg was quite concerned that there's a real possibility Mr Botha might be assassinated by people either to the left wing or the right wing of the country, and he doesn't want that," Mr Robertson said.

"He (Botha) said he did not feel (Mandela) would return to prison but would be placed in some type of - he didn't use the term protective custody, these are my words - in some other environment after he finishes his stay in the clinic."

In the Eastern Cape, was saved from the gallows only four hours before the execution deadline.

Five other black convicted murderers were executed at Pretoria prison early yesterday morning. Their deaths raised the total of executions this far this year to 115 while 49 death row prisoners have been reprieved. Nearly 260 prisoners are still awaiting execution.

A statement by the Lawyers for Human Rights organisation yesterday welcomed the Sharpeville reprieve, but said

Gulf prisoner swap runs into trouble

THE BIGGEST prisoner swap between Iran and Iraq immediately ran into trouble yesterday, when the first captives were flown home, Reuter reports.

Both Iran and Iraq reduced the number swapped at the start of the exchange. The two sides were meant to swap more than 1,500 sick or wounded POWs in batches of about 100 following a ceasefire implemented in August.

But Iran, the Iranian news agency, said 36 POWs had sought asylum and 27 were no longer considered disabled by wounds or illness. Iraq retaliated by cutting the number of prisoners it was releasing into Red Cross custody from 41 to 19.

In Geneva, the ICRC said it was up to its organisation and not the captors to verify whether a prisoner wanted to stay or go home.

Iran still hold an estimated 100,000 prisoners taken in the war. Iran holds about 70,000 POWs and Iraq 30,000. The basis of the ceasefire is UN Resolution 598, which stipulates that Iran and Iraq exchange all prisoners.

But the two sides are still far apart on a general release, a troop withdrawal to international boundaries, demarcation of the frontier and navigation rights in the Shatt al-Arab, Iraq's only outlet to the Gulf.

The father of the man killed by President Saddam Hussein's son has appealed to the Iraqi leader to drop an investigation into the incident.

What has happened was decided by God, therefore we appeal to your excellency to stop the investigation," Iraqi newspapers quoted Mr Hanna Jado, the victim's father, as saying in a letter published on behalf of his family on Thursday.

Presidential servant Kamel Hameed Jado 69, after Mr Hussein's son Uday, 24, struck him with a stick. A year earlier said the call to President Hussein would lead to Uday receiving a light sentence.

Taipei set for trade with Asian communist nations

By Bob King in Taipei

TAIWAN, in a policy turn-around, is laying the groundwork for direct trade ties with communist countries in South-east Asia - and it may establish indirect trade connections with North Korea.

A trade board official has confirmed that it is consulting with other government bodies, including the Foreign Ministry, on various ways to implement or expand trade with such nations. The official declined to be specific but said the trend was clearly toward fewer restrictions on trade with communist nations in the region.

Indirect trade with arch-rival China, approved earlier this year, is expected to exceed \$2bn this year and Taipei is removing more restrictions on the movement and import of Chinese goods.

Taiwan already allows direct trade links with all East European countries, except the Soviet Union and Albania. The Foreign Trade Board has begun drafting guidelines similar to those covering trade with the Eastern bloc and these are likely to allow direct trade links with Asian communist countries.

Taiwan this year agreed to allow businessmen to trade indirectly with Vietnam. Businessmen and some trade officials have been pushing for more direct connections, as well as expansion of trade links to include Kampuchea, Laos and North Korea.

About 40 businessmen and trading experts from the semi-official China External Trade Development Council left for Vietnam yesterday to explore opportunities for trade and investment.

US urges Israel to open schools

By Andrew Whitley in Jerusalem

THE US State Department has called on Israel to reopen educational institutions in the occupied territories closed for much of the past year. The closure affected some 300,000 school-age children and a further 15,000 college students.

The school year in the West Bank was meant to have resumed at the beginning of September, but has been repeatedly postponed without explanation. A new date of December 1 was recently set for primary school classes, with older children due to follow at unspecified staged intervals, depending on the level of unrest in the district.

However, the military-run Civil Administration confirmed yesterday all higher education institutions will remain shut indefinitely. Mr Richard Murphy, an Assistant Secretary of State, told Mr Moshe Arad, Israel's ambassador to Washington, on Wednesday the US attached great importance to the reopening of schools and the resumption of normal life. The US believes this will have a calming effect on the situation.

In response, the Foreign Ministry said yesterday it was in full agreement on the need to reopen schools. "It's in our mutual interests," said Mr Alon Liel, the spokesman. "The local leadership has to co-operate."

Earlier this month, Law in the Service of Man, a legal watchdog body based in the West Bank town of Ramallah, described the prolonged closure of educational institutions as "blatantly illegal". It was said to constitute "an illegitimate exercise of power by the Israeli military".

Disputing the official justification for closure - that the schools were centres of unrest - it said the authorities' conduct towards academic activity did not indicate a concern for security. Alternative classes set up in private homes had also been suppressed, and teachers banned from providing homework for their pupils.

Either, the rationale was felt to be one of collective punishment for a people who have traditionally put great store by education. The goal "is to raise the cost of the current uprising in the hope that the will of the local population... will be broken," concluded the report.

One after another, the West Bank's colleges and universities were closed down indefinitely between October 1987 and last January.

The Vatican-financed Bethlehem University was allowed to reopen on February 1, then shut again at the end of that day. Two days later all primary and secondary schools, both public and private, were also served with orders to stop classes until further notice.

Those not in districts under curfew were permitted to reopen again briefly in late May, for end-of-year examinations. Law in the Service of Man - an affiliate of the Geneva-based International Commission of Jurists - said the prolonged closure of all schools and colleges appears to be without precedent anywhere in the world.

Syria praises Egypt on PNC

SYRIA gave rare praise to Egypt, its arch-rival in the Arab world, yesterday for recognising the Palestinian state proclaimed by the Palestine National Council, in spite of what Damascus called pressure from Israel. Reuter reports from Damascus.

A senior government official said Syria, at loggerheads with Cairo for nine years, approved also of Egypt's commitment to the Joint Arab League Treaty, which links Arab states.

Diplomats said his remarks were far the warmest by Syria towards Egypt since Cairo signed its treaty with Israel in 1978. Damascus cut ties with Cairo the same year.

They also noted that the Syrian media had toned down its normally strong criticism of Egypt over the past few days.

Syria has expressed support for the Palestinian state proclaimed this month by the PNC at a meeting in Algiers, but it has not made clear whether this amounted to official recognition.

Political ferment grows in Algeria during run-up to key ruling FLN party congress

By Francis Ghiles

AS ALGERIA'S ruling Front de Liberation National (FLN) prepares for a crucial party congress on Sunday, the country is in political ferment.

Every day brings news of strikes, meetings, marches and its crop of outspoken newspaper articles and petitions. This untiring of tongues has even spread to the national assembly, all of whose members belong to the FLN which has held a monopoly of power since independence in 1962.

Deputies at first refused to debate the government programme presented by the new Prime Minister, Mr Kasdi Merbah, arguing that they had not even received a copy of the text, let alone had the time to read it.

At the end of the debate last week, much of which was unprecedentedly transmitted live on Algiers Radio, 21 deputies made history by voting against.

In the run-up to Sunday's congress, which must choose a candidate for next January's presidential election, the FLN is itself embroiled in a furious internal debate about the con-

sequences to be drawn from October's riots, the worst since 1962, which claimed hundreds of lives across Algeria.

The one event which has most deeply shocked people here is the torturing of hundreds of Algerians, often youngsters, during the riots, two weeks ago a number of those who had been tortured signed letters to the weekly Algeria Actualite, giving details of what they had endured.

Such testimonies bring back memories of similar events during the bitter struggle for independence against France in 1954-1962 and have made many people speak out against the still much feared Securite Militaire.

The SM is all the more the focus of attention as evidence accumulates that many people linked to the FLN and the SM actively encouraged, indeed in many instances organised, last month's mobs.

Strikes meanwhile are affecting many factories including the big oil and gas export terminals of Arzew and Skikda. It is quite impossible to sense how much of the country is working, how much not. Life in Algiers and other major cities does appear normal.

Those on strike are often asking for managers to be removed and for the official union and party cells to be disbanded - and their demands are sometimes met.

Before the riots, workers were simply pressing for increased pay. Doctors, teachers, journalists and myriad other groups are trying to set up trades unions free of the FLN, as they have been encouraged to do so by the head of state, President Chadli Bendjedid.

The outcome of the congress is impossible to forecast. Few observers would bet on the FLN allowing really free professional organisations to emerge, which would signify an end to the tight grip the party has always enjoyed on Algeria's political and professional life. Yet President Chadli and some of his key advisers and ministers appear to be actively encouraging such an outcome.

Whether the head of state will agree to stand again if the congress rejects the remit for more radical reforms he feels the riots have handed him is an open question.

By appointing Gen Khaled Nezzar as chief of staff in replacement of the ageing Gen Belhouche and Gen Lamine Zerrouk as his deputy last week, Mr Chadli has kept up the momentum for change which has characterised his behaviour since the end of the riots.

The authorities have been able to relax security a little - not least thanks to a estimated \$900m lent by Saudi Arabia and Kuwait. But no lasting improvement in living standards can be allowed in the near future if Algeria's hard-earned reputation of managing its foreign debt seriously is to be upheld.

Moves to promote joint ventures with foreign companies and relax the state monopoly of foreign trade could, together with greater freedom of expression, help the Prime Minister to sell a further dose of austerity. But will the FLN militants allow him any margin of manoeuvre?

At a big gathering of university teachers in Algiers on Tuesday, one speaker put his finger on a paradox which has struck more than one of his countrymen. How can a Palestinian state be proclaimed



Children play among the debris of the October riots

Cairo resumes normal relations with Algiers

By Andrew Gowers, Middle East Editor

EGYPT TOOK another step towards completing its rehabilitation in the Arab world yesterday when it and Algeria announced the restoration of full diplomatic relations.

A joint statement issued in Cairo and Algiers said the two countries had agreed to exchange ambassadors as soon as possible.

The move comes as a further sign that a loose alliance of moderate Arab states is coalescing in support of the new diplomatic initiative which the Palestine Liberation Organisation launched last week in Algiers. It will further isolate Syria and Libya, which along with Lebanon are the only Arab states still remaining without full diplomatic ties with Cairo.

Algeria, once among the leading radicals demanding cancellation of the Camp David accords, has been discussing a resumption of full relations with Egypt for some time. But yesterday's move is believed to have been consummated with the assistance of Mr Yasser Arafat, the PLO chairman, who visited Cairo this week for talks with President Hosni Mubarak after Egypt formally recognised the independent Palestinian state declared in Algiers.

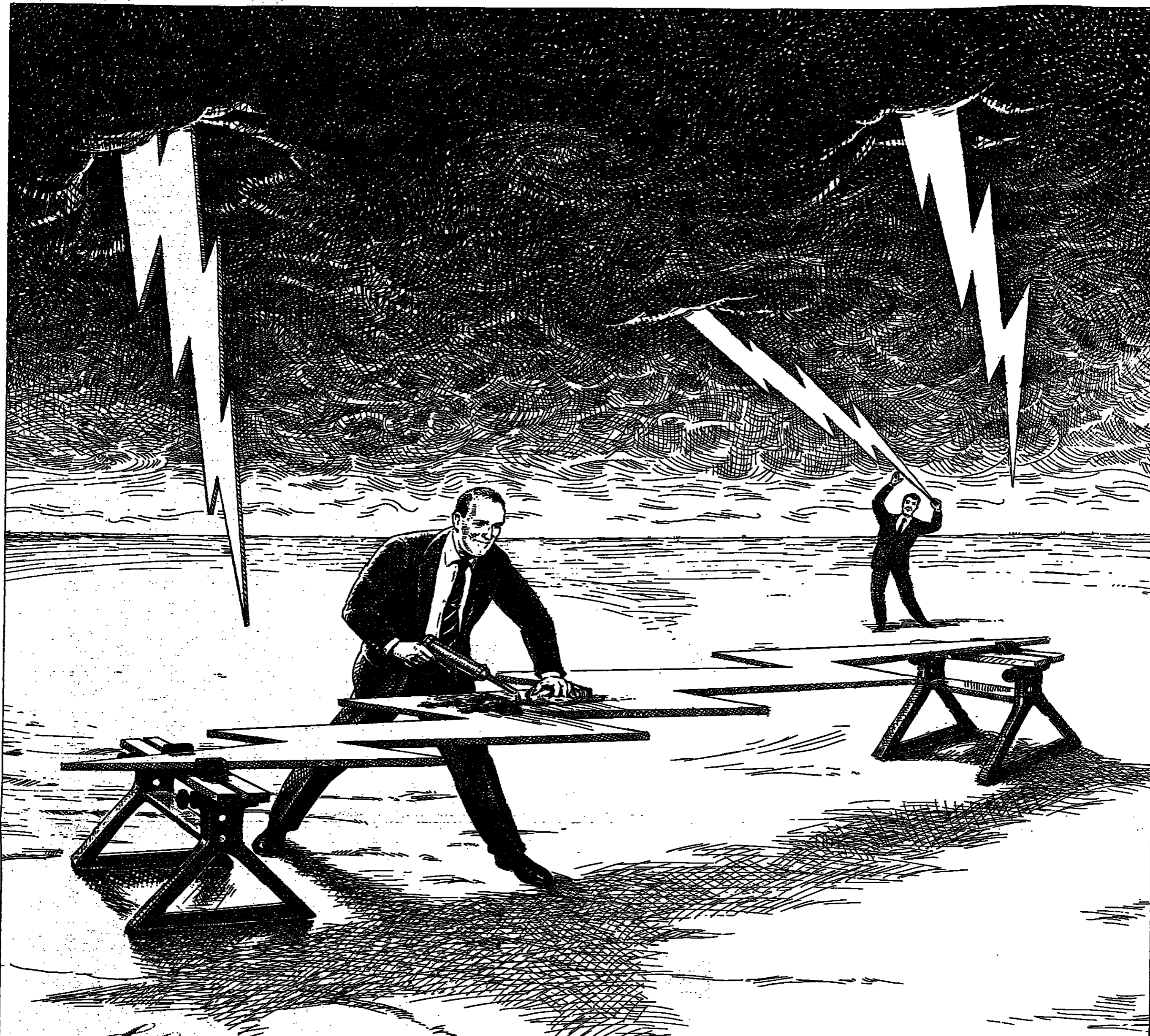
The move may also have been spurred on by Saudi Arabia, which recently provided a sizeable loan to help Algeria through its current economic difficulties.

Prince Salman bin Abdul-Aziz, the powerful governor of Riyadh, has been visiting the Algerian capital this week.

Member states of the Arab League decided to withdraw their ambassadors from Cairo in March 1979 after Egypt signed its peace treaty with Israel.

The official drift back began in September 1984 when Jordan resumed ties with Cairo and accelerated as the Gulf states sought to engage Egypt as a counterweight to Iran in the Gulf war.

Egypt remains excluded from the Arab League and from Arab summits, but this is now of little practical importance.



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ECGD

WORLD TRADE NEWS

Moscow seeks Japanese partner for car venture

By Gordon Cramb in Tokyo and Quentin Peel in Moscow

THE SOVIET Union has approached Japanese automotive manufacturers and trading houses with a proposal for a joint venture worth up to £600m (£2.7bn) to produce small- and medium-sized cars.

Mitsubishi Motors Corporation (MMC) said yesterday it was one of at least two car makers in the early stage of talks with Soviet officials. It described the issue as sensitive but said the feasibility of such a project would be evaluated.

News of the discussions, which are understood to involve Suzuki Motor, comes before the planned visit to Japan next month by Mr Eduard Shevardnadze, the Soviet Foreign Minister. Optimism in Tokyo that a car production deal could be announced that time was being dispelled yesterday by those involved in the talks.

If it goes ahead, however, the estimated investment would rank such a project alongside the \$30n Siberian petrochemical venture for which a protocol was signed two weeks ago.

That accord was reached with a Japanese-US consortium including Mitsubishi Corporation, a trading house which has long been active in the Soviet market. It is believed to have brought the cars proposal to its affiliate MMC.

The two members of the Mitsubishi group would enter any venture together, while a pact with Suzuki would include Marubeni, another leading trading company.

The Soviet authorities appear to be looking for any partner which would be able to provide much of the finance on the lines of a joint venture. Talks are also understood to have been held with Volkswagen.

A Mitsubishi representative in Moscow yesterday said that a joint venture would certainly be the most difficult option to undertake, and other possibilities included more straightforward technology transfer.

The Soviet problem is that its foreign exchange resources have been severely squeezed

by the slump in international oil prices, and the Government is therefore keen to find any partner which can bring the necessary hard currency finance, and repay it from exports in the future.

However, the big motor manufacturers are not keen to threaten their own traditional markets with cheap Soviet exports of similar models.

The Soviet proposal reportedly involves the initial production of 800 compact cars at a rate of 300,000 a year from 1990. The intention is later to add a one-litre vehicle of which around the same number of units would be produced, and possibly a 1.3-litre car as well.

The Soviet proposal is along similar lines to an approach announced last week by Mr Gianni Agnelli, of Fiat, for the Italian manufacturer to duplicate the huge factory built at Togliatti on the Volga.

However Mr Agnelli said that neither the car model, nor the means of financing such a huge expansion, had been decided in Moscow.

Thai transit group votes on Bangkok contract

By Roger Matthews in Bangkok

A CONSORTIUM led by Lavallin International of Canada has moved a step closer to being awarded the \$1.2bn contract to build and operate a mass transit system for Bangkok, capital of Thailand.

The Expressway and Rapid Transit Authority of Thailand has voted unanimously in favour of the Lavallin proposal. In preference to two other consortia. Further negotiations are scheduled with Lavallin before the contract is passed to the Ministry of the Interior and the Rail Cabinet for acceptance.

Businessmen in Thailand warned, however, that until final approval was gained, the door remained open for further consideration of the rival bids from the Asia-Euro consortium and the Franco-Japanese consortium.

The scheme for which the three groups have been bidding is for 36 kms of mainly elevated track, the rolling stock, 35 stations and all associated work. It is due to be completed later by a second 24-km stage which would bring the total contract value to well over \$2bn.

The consortium headed by Lavallin includes the Urban Transport Development Corporation of Toronto and Mitsubishi and several Thai partners. It has received strong financial backing from the Canadian Government and is advised by Morgan Grenfell.

The Asia-Euro consortium, which for many months was considered the front-runner, comprises Leighton, Australia's biggest contractor, with West German and Belgian companies, AEG, Siemens, MAN, ACEC and Tractebel.

The independent consultant who assisted the Thai authorities in evaluating the bid are believed to have favoured the Asia-Euro consortium because they believed its technology was better suited to Thai conditions.

Lavallin is proposing to use linear-induction motor technology rather than the conventional and heavier locomotive-pulled trains of the other two bidders. Doubt has been expressed about the suitability of the lighter Canadian system to cope with the expected capacity of 600m journeys a year, more than double that on the Hong Kong Mass Rapid Transit system.

The financing of the scheme is understood to have played a major part in swaying the Thai authorities towards Lavallin. The Thai Government has insisted that it should have no more than 25 per cent of the company set up to build and operate the system and minimal financial risk.

A spokesman for the Thai evaluating committee said yesterday that the Asia-Euro consortium's proposals had been rejected. It also said that a \$288m loan in addition to taking a 25 per cent equity stake, a suggestion which went beyond its terms of reference.

Study planned for NZ\$1.4bn power station

By Chris Sherwell in Sydney

A TEAM of US, Australian and New Zealand consultants is to conduct a feasibility study into the construction and operation of a privately-owned 1,000-megawatt coal-fired power station in New Zealand's North Island and costing some NZ\$1.4bn (\$500m).

According to CRA, the Australian mining and smelting group, 49 per cent owned by BTZ of the UK, which has commissioned the study, the station would use high-quality, low-sulphur, low-ash coal and be cost-competitive with alternative future generating sources in the North Island.

The proposal is intended to take advantage of new arrangements for New Zealand's electricity industry, under which private companies can compete to generate power with Electricitycorp, the government-owned "corporatized" last year.

The feasibility study follows a successful pre-feasibility study this year. The station would come on stream in the mid-1990s, which CRA says would suit future electricity demand in New Zealand.

The consultants involved are Black & Veatch of Kansas in the US, specialists in coal-fired plants using Australian-type coals, and GHD of Australia, in association with Worley Consultants of New Zealand and Burtel Australia.

The station would be located near Marsden Point, near Whangarei, and will consist of four 250 MW generating units built in two stages. CRA says it expects New Zealand partners to participate in the project at a later stage.

Nuclear mission with nowhere to go

James Buxton on why the Dounreay establishment is to be run down

ONE PHRASE trips repeatedly off the tongue of executives at Dounreay, the nuclear research establishment at Caithness in the far north of Scotland: "This is a single-mission site." It encapsulates the problems of Dounreay and of Caithness too.

Dounreay's mission is to research and develop the technology of fast reactors - nuclear reactors capable of extracting 50 times more energy from a given quantity of uranium than present-day commercial reactors. It does virtually nothing else. Now, by order of Mr Cecil Parkinson, the Energy Secretary, that mission is to be terminated.

He told the Commons in July that Britain's research into fast-reactor technology was to be virtually nothing else. Now, by order of Mr Cecil Parkinson, the Energy Secretary, that mission is to be terminated.

The first cutbacks will bite almost immediately because of the reduction in research, some 300 people - half of them scientists - will lose their jobs at Dounreay over the next 18 months. By 1997 there will be only 400 staff left in a caretaker role. Mr Parkinson said that Britain would not require fast-reactor technology for 30 or 40 years. Meanwhile it will be possible to slow it down, however. Specialists point out that it is unlikely that a demonstrator reactor would be built at Dounreay since there is not enough demand in Scotland for its output.

Mr Brown, research director of the Association for the Conservation of Energy, set up by British companies in the energy conservation industry, said that in the US, many utilities considered energy-efficiency measures in establishing a least-cost investment programme.

Yet in the UK, investment planning was geared only to meet demand.

Mr Brown, who is also vice chairman of the European Energy Management Federation, said that by ignoring investment in conservation measures the CEGB was failing to meet its statutory duty to provide energy at the lowest possible cost.

He said the technical potential for electricity savings in England and Wales was equivalent to 11.6 per cent of electricity consumption.

Mr James Litchfield, a senior official of the North-west Energy Planning Council of Portland, Oregon, told the inquiry that six privately-owned utilities supplying half the region's electricity were developing and implementing least-cost investment plans that included efficiency and conservation measures. The council was set up by the US Congress to develop a regional energy policy.

Mr Litchfield said that investment planning in the past had eventually led to the need to stop work on eight nuclear power station projects at a cost of \$7bn (\$2.8bn).

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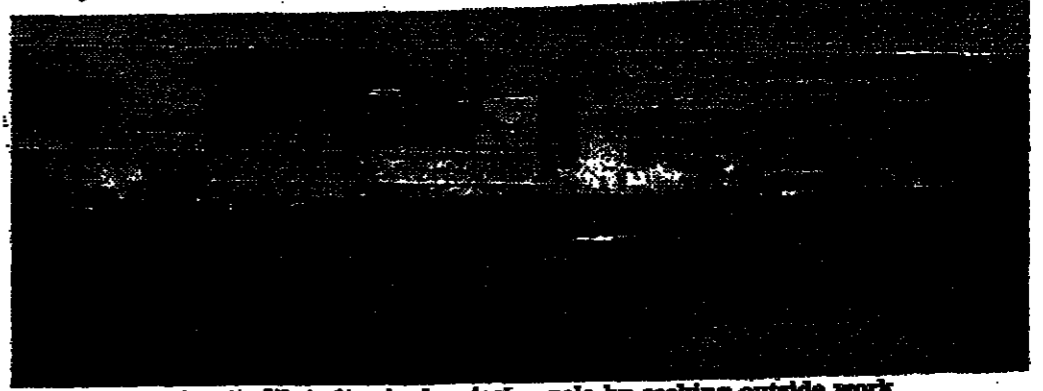
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Dounreay: trying to dilute its single-mission role by seeking outside work

given up its world pre-eminence in fast-reactor technology, will have to turn for know-how to Japan, which is working on with a big fast-reactor programme.

The UKAEA and Dounreay are still trying to persuade the Government to change its mind. The Dounreay Action Group, led by Mr Derrick Milnes, the plant's union organiser, began a long-term lobbying programme by making the round of the party conferences this autumn.

He says: "We want to keep the situation simmering with a political campaign for two years or so. After privatisation of electricity, a campaign is planned to win commercial backing from the electricity supply industry."

However, as Mr Jordan admits: "It would be unrealistic to think you could totally eliminate this rundown. It may be possible to slow it down, however. Specialists point out that it is unlikely that a demonstrator reactor would be built at Dounreay since there is not enough demand in Scotland for its output."

The rundown is already having its first effects. An unusually high number of Dounreay staff are leaving this autumn. Mr Milnes says: "There's virtually no alternative employment for scientists within 200 miles of here."

One motive for getting out now is to avoid the collapse of house prices in nearby Thurso - almost a company town - if the shutdown is likely to trigger. Even now, a family moving to the south can only expect to realise £30,000 or £40,000 for a detached house in Caithness.

Dounreay is now trying to dilute its single-mission role by seeking outside, nuclear-re-

lated work. It has already won contracts for removing radioactive scaling from North Sea oil installations and believes it could build that into a five-year business.

It recently hired the consultant Arthur D. Little to study other possible commercial outlets for its considerable engineering expertise. But there is tacit admission at Dounreay that it should have marketed itself more vigorously to the non-nuclear world before.

The county of Caithness itself is not a single-mission site. Even so, it is hardly dependent on Dounreay. The present Dounreay labour force accounts for nearly a tenth of the 27,000 population of the county, and it is reckoned that several thousand more people depend in some way on the plant for their livelihood.

Apart from Dounreay, Caithness has arable farming, fishing and some manufacturing - including Northport, one of Britain's largest makers of freezers. So far, unemployment is relatively low at just under 10 per cent.

Mr John Young, convener of the district council, acknowledges: "The fact that the rundown is going to take place over nine years gives us quite a lot of time." The Highlands and Islands Development Board has commissioned consultants to report on the county's economic potential in view of the rundown.

Mr Young draws hope from the fact that a number of businesses have been started up in Caithness by former scientists from Dounreay and believes that more might follow them. Some Dounreay scientists, most of whom are newcomers from other parts of Britain, became wedded to life in Caithness, in spite of its inaccessibility.

where its remoteness and its lack of scenic grandeur. An organisation called the Caithness Jobs Commission has been started to help people pursue ideas for business.

Understandably, many in Caithness resent after a century the nuclear role. The county is likely to be on the shortlist of places identified by Nirex, the Nuclear Industry Radioactive Waste Executive, as possible sites for its nuclear waste repository.

Nirex believes there is less opposition to that in Caithness than in most parts of Britain. Lord Thurso, the Democrat peer who is the county's biggest landlord, has made a provisional agreement with Nirex, should it want to carry out test drilling on his land near the village of Altarnock. Dounreay itself is also likely to be listed as a possible repository site.

Yet although the district council initially invited Nirex to investigate the county, recently it went back on its decision, apparently thinking that Nirex, which is unlikely in the long run to be a large-scale employer, is a poor substitute for Dounreay itself.

Lord Thurso hopes that if Caithness wins the repository, Dounreay can be developed into a nuclear reprocessing centre. Others suggest that there might be a role for it in decommissioning the Royal Navy's nuclear-powered submarines.

However, those close to the nuclear industry believe that the repository is more likely to go to Sellafield in Cumbria, the nuclear establishment where much of the waste originates. "Dounreay was founded to carry out a specific mission," says one. "But all good things have to come to an end."

Confident Japanese blame US producers for low chip sales

THE Electronic Industries Association of Japan (EIAJ), in a strong rebuttal of US allegations of unfair trade practices in the Japanese electronics industry, has issued a report placing blame for the imbalance in US-Japanese semiconductor trade at the feet of US chip makers.

The tone and content of the report, which is understood to be similar to a report by the Japanese Government given to US trade officials in Washington last week, reflect a growing sense of confidence within the Japanese electronics industry and an increasingly aggressive posture on US trade.

The purpose of the report, according to EIAJ officials in Tokyo, is to highlight Japanese efforts to resolve the trade dispute and to correct "misconceptions". The timing of its publication is, however, widely held to relate to Japanese efforts to persuade the US to lift trade sanctions imposed as a punitive measure for alleged Japanese failure to comply with the 1986 US-Japan semiconductor trade agreement.

The report contends that a lack of effort by most US semiconductor producers as well as a gross mismatch between the chip products made in the US and those needed by Japanese electronics manufacturers are behind the failure of US companies to achieve higher sales in Japan.

The EIAJ also rejects US claims that the trade pact promises increased market share in Japan for foreign semiconductor makers. The agreement called only for a "gradual and steady" improvement in market access over a five-year period, the Japanese trade group claims.

The differing interpretations of the two-year-old trade agreement, as well as the wide disparity of views on the circumstances that have led to the trade dispute, forcefully demonstrate the gulf that remains between the industries and governments of the two countries over an issue that has become a key factor in US-Japanese trade relations.

Conciliatory statements included in the EIAJ report to the effect that the Japanese recognise the importance of a healthy US semiconductor industry, do little to soften the blow of the Japanese charge that foreign chip makers are themselves responsible for the trade problem.

Progress has been made, the Japanese assert, toward improving market access for foreign chip makers. They point out that sales of US semiconductor sales in Japan, measured in yen, rose by 87.5 per cent to \$465m in the second

An industry report reflects how wide the gap still is, writes Louise Kehoe

quarter of 1988 and that foreign market share is up from 8.6 per cent to 10.4 per cent over the same period.

However, the EIAJ data make the true picture, their US counterparts say. Sales in Japan were at an historic low at the time of the agreement, they say, and have stood at about 10 per cent for several years. Also, the apparent sharp increase in US chip sales in Japan, when measured in depreciated dollars, is in fact around 50 per cent, in line with the growth of the Japanese semiconductor market.

The Japanese contend that other US semiconductor makers should follow the lead of the five largest American chip merchants, Texas Instruments, Intel, National Semiconductor, Motorola, National Semiconductor and Advanced Micro Devices, to withdraw from DRAM production, the EIAJ claims, quoting selected contemporary press reports.

More than any other element of the EIAJ report, the argument has raised ire in the US. The well-chronicled demise of all but one big US DRAM manufacturer is overwhelmingly dominated by American complaints about Japanese DRAM dumping. These complaints were upheld by US government dumping investigations and led eventually to the signing of the trade agreement.

The European Community has separately concluded that Japanese companies dumped memory chips in Europe during the same period.

On a more positive note, the Japanese trade group describes efforts to facilitate foreign chip purchases. The executives of US semiconductor manufacturers' Japanese operations acknowledge these efforts as a significant factor in their recent sales growth. They remain cautious, however, about the future.

Looming large in the US is the prospect of a downturn in the domestic semiconductor market. Already three of the top five US chip makers are projecting reduced profits for the current quarter. As domestic sales fall, pressure for increased sales in Japan will inevitably rise. If, however, as some analysts predict, the Japanese semiconductor market is also moving into a period of slower growth, then Japan's market opening measures will be put to the test.

EIAJ officials in Tokyo stress that it is the policy of the Japanese Government to increase foreign purchases, but they acknowledge that, in the event of an industry downturn, Japan's largest electronics companies, which are both producers and consumers of semiconductors, would be forced to sustain their in-house semiconductor group.

Continuing trade friction appears inevitable. Indeed, the semiconductor trade battle is now seen on both sides as a long-term issue and preliminary consideration is being given to the question of what happens after the five-year trade pact runs out in 1991.

Motorola asks EC to drop its cellular phone dumping probe

By Terry Dodsworth, Industrial Editor

THE British subsidiary of Motorola, the US-based electronics group, claimed yesterday that it had won its anti-dumping campaign against a group of foreign cellular car telephone manufacturers and asked the Commission to abandon its dumping investigation.

The withdrawal of the Motorola complaint, first lodged with the Commission in early 1987, follows moves by NEC and Panasonic, two of the main Japanese cellular telephone producers, to set up manufacturing lines in Britain.

According to Motorola, the "steep price erosion" that had previously occurred in the cellular telephone market also diminished in the wake of the complaint.

"Given the continuation of such improvements, which eliminated much of the injury to Motorola's operations, Motorola concluded that the anti-dumping action was not necessary at this time," the company said yesterday.

Prices have nevertheless continued to fall, with basic car telephone handsets selling in the UK for about £400 against £1,000 at the time of the complaint.

The Motorola case sprang to prominence because the EC action was originated by a company with a home base outside the Community. The complaint, however, was based on the experience of the company's UK manufacturing activities, which were hit hard by price competition from for-

sign-made car telephones. Mr Don Burns, managing director of Motorola UK, said yesterday the group had suffered heavy losses in the car telephone market. He warned that the company would not hesitate to initiate another anti-dumping action if "serious dumping" of cellular products were to occur again.

Motorola produces its car telephones at Stofield in Hertfordshire, where employment has jumped from 800 to 750 this year as it has expanded its operations to serve the growing European market for mobile communications. The company is one of the four leading suppliers in Europe alongside NEC, Panasonic and Nokia Mobira, the Finnish-based manufacturer.

The consultants involved are Black & Veatch of Kansas in the US, specialists in coal-fired plants using Australian-type coals, and GHD of Australia, in association with Worley Consultants of New Zealand and Burtel Australia.

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UK NEWS

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CEGB urged to adopt US energy policy

By David Green

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If such measures were introduced in the UK, the proposed Hinkley Point C nuclear power station could be postponed or even cancelled, Mr Ian Brown, an energy analyst, suggested.

He was giving evidence at the Hinkley inquiry, which yesterday examined the policies of electricity utilities in the Pacific north-west region of the US, covering the states of Oregon, Idaho, Washington and Montana.

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UK NEWS

THE PRIVATISATION PROGRAMME

Flotations 'proved most profitable to managers'

By Simon Holberton, Economics Staff

WHATEVER the economic effects of privatisation, it has proved most profitable to the managers of companies privatised, the advisers to public flotations and initial shareholders in those companies, according to a study published yesterday.

"These rewards have generated a momentum behind privatisation independent of any economic benefits that might result from ownership change," Mr Matthew Bishop and Mr John Kay say in the London Business School study of privatisation.

The study is the most detailed analysis of the privatisation to be done since Mrs Margaret Thatcher's Government embarked on the sale of public assets after it won power from the Labour Party in 1979. It finds that privatisation is neither necessary nor sufficient to change the character of companies, but that it has had beneficial effects in changing Britain's business culture.

The authors claim that by the way in which privatisation has developed in the UK, a powerful lobby in favour of privatisation as an end in itself has been created. "The interest is served mainly by the process of privatisation itself, rather than what subsequently happens to the industry," says the report.

"The effect on efficiency is decidedly a secondary question, and some possible routes to efficiency - such as regulation or restructuring - are viewed as undesirable obstacles which may reduce or delay the gains which privatisation will bring to financial institutions."

Shareholders in privatised groups have gained a higher return on their investment relative to broader stock market measures. Part of this may have reflected the relatively large discount at which the Government sold its corporations.

Financial and legal advisers have also made large returns, despite some ambiguity over their precise role in the privatisation process.

Senior management of previously state-owned corporations

	REMUNERATION (1988 prices, £)			
	1979		1988	
	Top executive	Director	Top executive	Director
Amersham	31,000	29,000	90,000	64,000
Associated British Ports	n/a	n/a	97,000	50,000
BAA	37,000	28,000	151,000	98,000
British Airways	45,000	35,000	233,000	142,000
British Gas	48,000	33,000	184,000	98,000
British Telecom	n/a	n/a	198,000	112,000
Britoil	n/a	n/a	n/a	n/a
Cable & Wireless	31,000	29,000	203,000	115,000
Enterprise Oil	n/a	n/a	135,000	67,000
Jaguar	n/a	n/a	218,000	96,000
National Freight Consortium	44,000	24,000	143,000	71,000
Rolls-Royce	95,000	55,000	180,000	80,000
average privatised	47,400	33,300	184,300	90,800
British Coal	49,000	33,000	145,000	85,000
British Rail	54,000	37,000	30,000	68,000
British Steel	56,000	48,000	134,000	83,000
Electricity supply ¹	45,000	35,000	82,000	56,000
Post Office	49,000	35,000	84,000	64,000
average public sector	50,800	37,600	107,000	67,400
average private sector ²	115,000	74,000	213,000	134,500

¹ Private sector average is based on a sample of leading industrial companies equivalent in size to the 1979 public sector.

² Private sector average is based on a sample of leading industrial companies equivalent in size to the 1979 public sector.

estimates are among the Government's concerns. Senior management interests, by contrast, are represented very strongly indeed. . . . Very little of the expensively purchased advice and analysis is available to parliament in its legislative scrutiny of the proposals.

Mr Bishop and Mr Kay say that fees to financial advisers and senior executives may seem large to outsiders, although they may not be disproportionate to the scale of the cost of privatisation. The cost of privatisation have to be offset against the resulting gains in efficiency. These do not have to be large to repay these costs.

"But if it has no, or a negligible effect, then spending incurred in privatisation represents in part a waste of resources and in part a transfer of them from the rest of the population - the people who pay taxes but do not buy shares."

There should thus be a particular obligation on those who benefit directly from the process to ensure that privatisation promotes efficiency.

Does Privatisation Work? Lessons from the UK, by Matthew Bishop and John Kay, Centre for Business Strategy, London Business School, Sussex Place, London NW1 6SA, £10.

Industry cautious; opposition dismissive

THE WATER BILL received a cautious welcome from the industry despite anxieties about the degree of regulation proposed, but opposition leaders and trade unions dismissed it as an unnecessary, damaging and political act, writes Richard Evans.

The Bill, divided into two sections because of its bulk, provides the framework for the sale of the water utilities, which are expected to fetch between £5bn and £7bn. Its main purposes are:

- To establish a quango (quasi-autonomous non-governmental organisation), the National Rivers Authority, to take over the responsibilities of the water authorities for water pollution, water resource management, flood defence, fisheries, recreation and navigation.
- To provide for the appointment of a Director General of Water Services, to keep under review the provision of water and sewerage services and to

protect the interests of consumers;

- To establish a new statutory framework for the control of drinking water quality, river quality and other standards, and to update the law on the water cycle;
- To provide the terms of appointment and financial arrangements for the new water services public limited companies to provide water and sewerage services, and to appoint the 29 existing statutory water companies to continue to supply water in their areas;
- To provide for the transfer of the property, rights and assets of the authorities to the successor companies and to the National Rivers Authority; and
- To provide for the sale of shares of the new companies, although details will not be finalised until the prospectuses are prepared next autumn.

The first part of the 178-clause bill establishes the framework for the new bodies, the National Rivers Authority

Strong controls for water

do not abuse their natural monopoly position through excessive price rises or reduced services to customers.

There will, therefore, be a system of licensed operators, and a director general of water services will operate a control system.

This office will also cover the activities of the 29 statutory water companies. These will be able to change to public limited company (plc) status after privatisation if they wish.

The director general's wide range of duties and powers will include protecting the interests of customers of water and sewerage companies. He will monitor the activities and performance of all the water companies against the conditions set out in their licences and will seek to ensure that the companies carry out their functions efficiently by comparing their performance.

This, it is hoped, will take the place of normal competition.

The director general, who will be chosen early next year, will be directly accountable to Parliament and independent of ministers. He will be supported by a Water Services Office, similar to Ofel and Ofgas, with a staff of 80 to 100.

The three main protections proposed for customers cover charges regulation, level of service, and ensuring the maintenance of vital underground assets.

To protect customers from excessive price increases, the bill proposes a ceiling on average price rises through a formula related to the retail price index.

This ceiling would be a condition of each company's licence, and each company would be set a different ceiling depending on circumstances.

The overall charge limit will be reviewed normally every 10 years, but there could be a review every five years if either the director general or the company saw a need for it.

There will also be a formula devised which will allow companies to pass on to their customers any unavoidable increase in costs from, for example, the European Community.

The new water plcs will be required to prepare a code of practice to include a range of information for customers, including the service to be provided, tariffs to be charged, and payment of bills.

It is confirmed that water and sewerage bills cannot be based on rateable (property

tax) values after the year 2000, but it will be up to the individual companies to decide whether to adopt metering or an alternative form of charging.

Drinking water and river quality standards, which must get progressively higher because of pressures from the European Community, are safeguarded.

Where standards do not comply with regulations and no relaxation has been given, the price will be required to draw up a programme of improvement, and there are powers to enforce compliance.

The bill contains a new criminal offence of supplying water unfit for human consumption which will be punishable by fines or imprisonment.

The regulatory provisions have been made through primarily to protect the customer, but also to ease the passage of the legislation through parliament.

The timetable for the bill is extremely tight, with a second reading debate and a launch of the line-by-line committee stage before the Christmas recess. The intention is to get the bill on the Statute Book by July, to ensure the flotation of the 10 authorities in November of next year.



Nicholas Ridley, environment secretary: charting a new course for water

THE ELECTRICITY BILL

Minister 'to retain overall control'

By Maurice Samuelson

THE SECRETARY of State for Energy is set to emerge as the unchallengeable supremo of Britain's electricity companies once the industry has been sold to private shareholders.

This emerges from an unofficial summary of the electricity privatisation legislation to be presented to parliament next week.

The summary, quoted in the current issue of Power in Europe, a Financial Times Business Information Newsletter, suggests that far from freeing the industry from Government interference, as promised in last February's White Paper, the Bill would consolidate power in the hands of the Energy Secretary rather than in the hands of the person he appoints to regulate it.

Quoting at length from the bill's penultimate draft, it claims that the Energy Secretary would retain wide-ranging powers to direct and control the affairs of the private electricity supply companies.

The minister would, for example, have the right to give orders relating to fuel stocks at all stations with a capacity of more than 50 megawatts. He would be able to order when and how these stocks should be used and for how long the power station should suspend operations.

On the nuclear industry, the Bill will provide for direct government subsidy of nuclear energy, giving the Energy Secretary the right to make direct grants or to give Treasury-

guaranteed loans, for any purpose connected with waste disposal, reprocessing or decommissioning.

The journal comments: "It is hard to identify a single power which the Secretary of State for Energy is giving away or loosening. The politicians and regulators will have codified rights at every level of the system, in every aspect of the business of the privatised companies and of new entrants.

Their right to demand, and publish, commercial information will have few limits. Nothing will be built, licensed or commissioned without their permission."

Comprehensive powers would also be given to the director-general of electricity regulation and the Monopolies and Mergers Commission would also be deeply involved in the regulatory process.

As enabling legislation, the bill is notably short of fine detail on many aspects of how the industry will operate in practice. These will be embedded instead in the contracts and licences governing the conduct of suppliers and consumers and their inter-relationships.

Fifteen schedules are attached to the Bill, most of which deal with relatively minor matters.

The most concrete part of the Bill are its references to the regulatory system. Under it, the director-general of the office of electricity regulation will be appointed for five-

yearly terms by the Energy Secretary.

The director will set up consumers' committees in the areas of the 12 distribution companies in England and Wales and the areas of the two Scottish utilities.

They will comprise between 10 and 20 members and a chairman, appointed by the director-general, and will serve as the basic consumer protection bodies.

The basic regulatory duties of the director-general and secretary of state would be:

- To promote competition in the generation and supply of electricity;
- To secure that all reasonable demands for electricity are satisfied;
- To secure that licence holders are able to finance the continuation of those activities for which they are authorised by their licences.

Subject to these considerations, they would have a duty to protect consumer interests on price, security of supply and quality of service, as well as promoting energy efficiency.

Although it would be an offence to generate, transmit or supply electricity without a licence, the Energy Secretary would retain the right to waive the need for licences to individuals or power stations below a certain size.

Clause 7 of the draft quoted yesterday sets out comprehensive terms for the licence, allowing the Secretary of State to write in or modify condi-

tions as seemed appropriate.

Under clause 8, the basic duties of licencees are to provide an economic and efficient supply and facilitate competition.

Clause 14 deals with the obligation to supply and the terms under which that supply is given. It exempts the area boards from obligation to supply customers who have made arrangements with private suppliers, using the boards' distribution facilities.

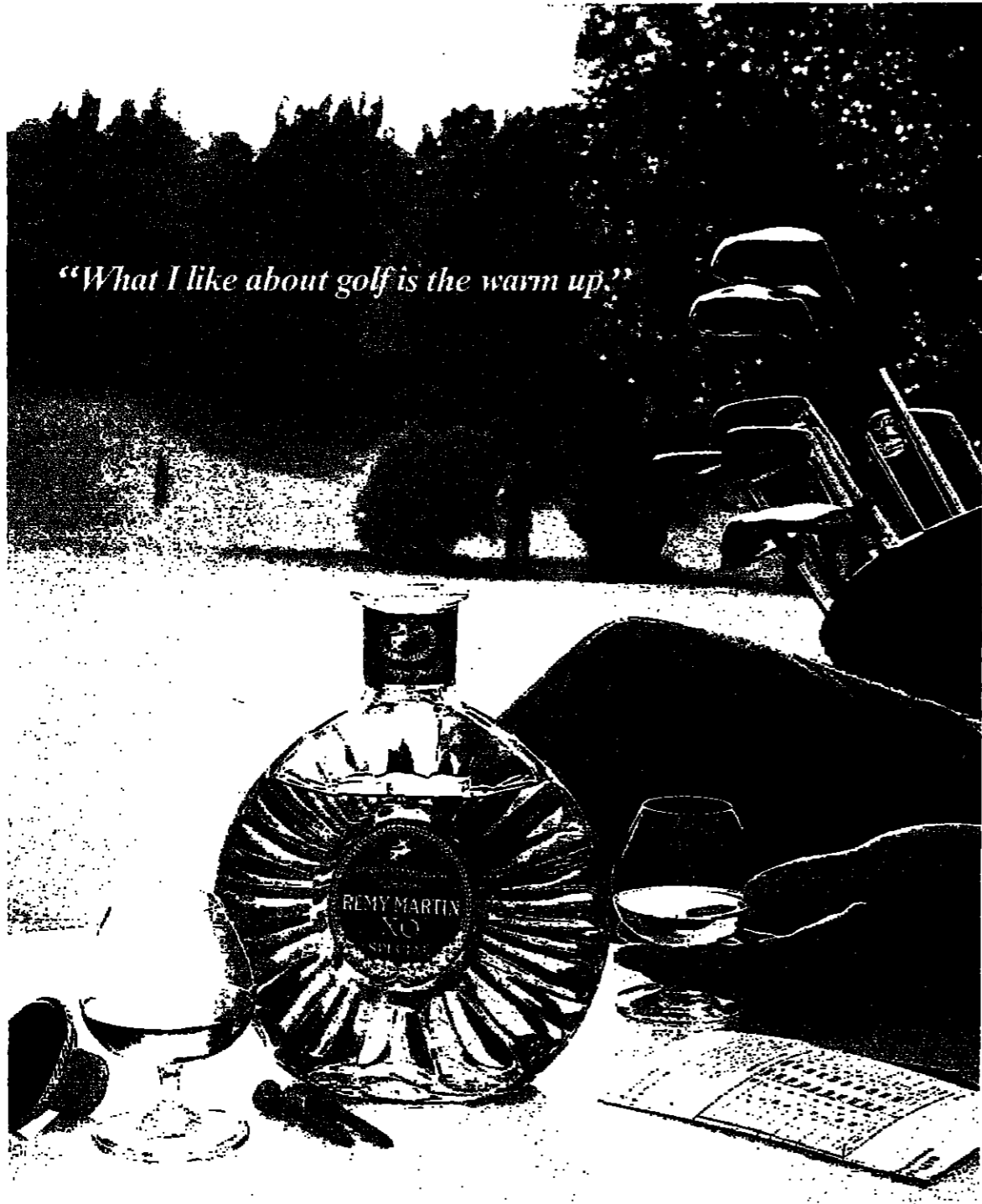
Clause 15, dealing with tariffs, says they should be:

- Framed to show the methods by which and the principles on which the charges are to be made as well as the prices to be charged; and
- Published in such manner as in the opinion of the supplier will secure adequate publicity for it.

Under clause 24, the Secretary of State has the right to change the regulations as and when deemed necessary, and lists areas where special powers are reserved.

Clause 26 explains that the threat of fines will be used to oblige distributors to use a certain quota of non-fossil-fuel electricity (primarily nuclear power), which the Government requires in the interests of fuel diversity and environmental benefit.

● *Power in Europe, edited by Andrew Holmes, is available on subscription fortnightly from FT Business Information, Tower House, Southampton St, London WC2E 7EA.*



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Lonrho renews legal effort to free report on Al Fayed deal

By Raymond Hughes, Law Courts Correspondent

LONRHO, the international trading conglomerate, will today renew its attempt to force Lord Young, the Trade and Industry Secretary, to publish without further delay his inspectors' report into the acquisition of House of Fraser by the Al Fayed brothers.

The Court of Appeal will be asked to overturn a High Court judge's refusal on November 11 to give Lonrho leave to seek judicial review of Lord Young's decision to use the views of the Serious Fraud Office before deciding on publication.

Lonrho is not challenging the High Court's rejection of its attempt to have Sir Gordon Borrie, the Director General of Fair Trading, ordered to advise

Lord Young to refer the acquisition to the Monopolies and Mergers Commission.

Sir Gordon has now given Lord Young his advice, which has not been made public.

In the High Court, Mr Justice Megarry said that Lonrho's applications were ill-founded and unarguable. "They have shot from the hip and missed their target," he said, adding: "I am wholly convinced these matters should not have come to court now."

The judge said that it had been Lord Young's intention to publish the report - which Lonrho believed contained "criticism and perhaps worse"

of the Fayed's - as soon as he could. However, he had been advised, not only by the Serious Fraud Office and the Director of Public Prosecutions but also by Treasury counsel, that he should not publish until the SFO had finished his inquiries.

It was quite impossible to argue that Lord Young had erred in taking account of that advice, the judge said.

"Indeed, it seems to me that he would be liable to be shot at on all sides by others had he acted to the contrary. It is up to him to decide what he should do and in my judgment he cannot be faulted for the decision he has made."

BA to expand Gatwick flights

BRITISH AIRWAYS is to expand scheduled services from Gatwick Airport, south of London, next summer to handle 660,000 more passengers, writes Michael Donna.

The airline now handles some 5.8m passengers a year at Gatwick, of which 3.7m are scheduled passengers and 2.1m are charter passengers.

The Gatwick expansion reflects a series of adjustments to routes and frequencies, after an airline scheduling conference held in Montreal by the International Air Transport Association.

As a result BA was awarded some additional operating "slots" at Gatwick enabling the airline to go ahead with plans it announced last July to transfer several scheduled services from Heathrow, London, to Gatwick.

THE PROPERTY MARKET

Arguing the case for high yielders

By William Cochrane

There is a view among fund managers that high yield properties have had their day. They say that the mid-1980's highly vocal minority which went for high yielders should move up-market. "Prime" properties are producing annual returns of over 20 per cent with income and capital growth combined, so there is no case for taking the risks to which high yielders are exposed.

But Mr Terry Goddard, property director of the Storehouse Group, is all for caution — on the part of other investors. He is responsible for the £200m Storehouse combined pension funds and a committed fan of high yield property. He says that his end of the market — essentially secondary properties for specialist investors, perhaps a grade up from those offered in auctions — would be ruined if too many people went into it. He contends that high yield properties, under good stewardship, are less risky than prime properties in what might be a tighter economic climate.

The danger is in expecting

prime property to produce sustained high performance. "If you have a target return of 12 per cent and you're getting 4 per cent from income, then you need 8 per cent per annum of capital growth," he says. "But if you're getting a 10 per cent income yield you need only two points of capital."

In this situation, he continues, a small downward regrading of growth prospects would put returns on the low-yielding, prime property at severe risk. Yet the same conditions, he argues, would only produce a fractional reduction in the overall yield from the high-yielding, "secondary" stock.

"High yielders can rise or fall because they assume risk. The trick," says Mr Goddard, "is in the pick." For the tyro, there are more characteristics to avoid, than to look for. The "don't buys" include:

- northern industrial sheds with the old-fashioned 12-foot eaves height, asbestos roofs;
- weary supermarkets in depressed town centres which no one is going to develop;
- 1960s offices, in northern climes and with occupant leases nearing the end of their

term;

- run-down shopping centres in secondary towns, needing millions of pounds for refurbishment;
- messy, multi-tenanted, mixed-use buildings where the landlord pays part of the maintenance bills;
- investments which are sold because they might get a big rent rise in four years' time.

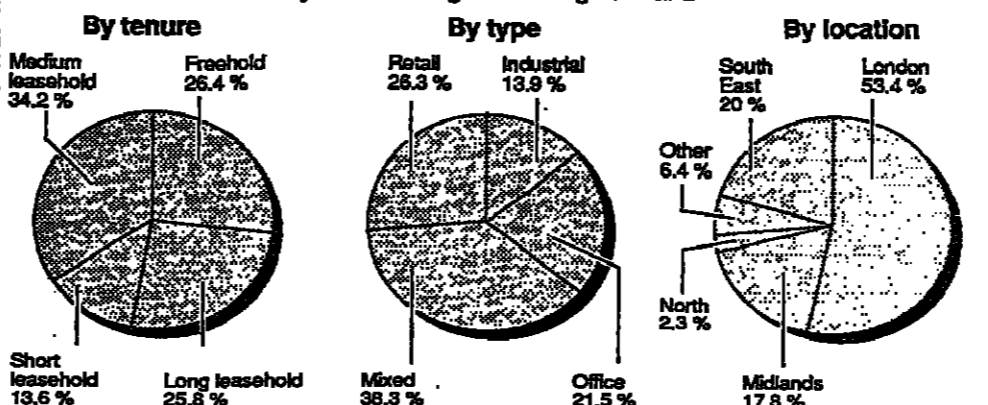
These rules are not written in stone. "Having identified the don'ts," he says, "please do not assume that there is no money to be made from them — it is just that if you are needing advice from me what to buy and what to leave alone, then you'd be better off learning the ropes before you try the hangman's knot."

Meanwhile, the 'buys' include:

- long leases at low gearing (the land could be owned by someone who gets only 10 per cent of the total rent, and growth prospects. The long leaseholder can then sometimes buy the freehold, marry the interests, and make money);
- long tenancies where the

Storehouse combined funds

Analysis of holdings excluding farmland



sitting tenants pay the maintenance bills;

- strong balance sheets. Again, if the occupier is ICI or its ilk, the fact that this is a northern shed may be less important;
- underlying good property of enduring attraction (here, Mr Goddard means that the attractions are masked, or overlaid, by multiple ownership/leases; and, finally,
- initial yields of not less than 9 per cent, cash on cash.

"The advantage of sticking to a 9 per cent or more discipline," says Mr Goddard, "is that this takes you out of the market when it goes daft. Never be afraid to go through a period when you do not buy," he tells the investor. "It is that fear that trapped so many down the 'black hole' of recent past."

Mr Goddard is on record, in

setting himself a 15 per cent return. With a 9 per cent income yield, how does he get the other six points? "Try to stick with the property that someone will always want, and sooner or later a growth cycle will come your way," he says. And you should work the investment. "The ideal investment is one that fully married into a freehold let to a good covenant at market rent on regular reviews, would be a first grade institutional buy," he says.

Stating the obvious? Perhaps. But here is the trick. "You want to buy a piece of that totality and try to fill in the missing bits," he advises.

"This may involve buying a leasehold and merging into the freehold, or buying an interest with a flawed letting — say, a 21-year review pattern — and rejig with the tenant. Playing

the numbers," he says, "pays the biggest dividends."

So what dividends have they paid for Storehouse? With the help of Gordon Bloor & Company as retained agents, Mr Goddard has seen returns over the past three years of 26 1/4 per cent, 23 1/2 and 40 per cent respectively. "We have a ten-year average of 30 per cent compound," he says, "and what makes me happiest is that the worst year saw a 20 per cent return."

The really spectacular, single property story is that of 54/62 Regent Street, an office property with ground floor retailing, bought in January 1986 to yield 14 per cent. The Storehouse fund sold that in June this year for £5.6m. The rate of return to the fund was 55 per cent a year over the period in which the investment was held.

The prime time

At the prime end of the market, rents and values are still surging ahead although there has been a drop in the rate of growth.

This week, a preview of the Investors Chronicle/Hillier Parker Property Market Indicators* shows combined shop, office and industrial rents increasing by 22.8 per cent per annum over the last six months, compared with 37.6 per cent per annum in the previous half-year.

Average yields were unchanged in November at 7.2 per cent but the trend is still down from the recent peak of 7.7 per cent in May 1987, reflecting a higher valuation of the underlying rental income.

The ICHP team said that the slowdown in growth is across all sectors; but it is particularly marked in shops, where rents rose by 23.3 per cent against 47.6 per cent previously; and industrials which came back from 47.9 per cent to 24.4 per cent.

Strong occupational demand across all sectors is still noted, despite the slowing down in the pace of growth. The team says that the extremely high levels of growth registered during the first six months of the year were always unlikely to be sustained for the full twelve months.

The report says that the present, three-year growth period in rentals is the longest

boom that the property industry has seen over the last 18 years; it has also been against a background of the much lower rate of inflation than in the previous boom periods, from 1972 to 1974 and from 1977 to 1980.

Features within the yield pattern indicate buoyant demand for investments in the office and industrial markets; but shops remain uncertain, and despite yields remaining flat at 5.4 per cent over the last quarter, they have been on an upward trend since early 1985 and are at their highest level for 10 years.

Greg Nicholson, investment partner at Hillier Parker, commented this week: "Shops, for so long the institutions' best friend, are now being replaced by industrials and offices on funds' shopping lists. Yields are edging downwards as a result of the competition to buy and strong rental growth has been evident in these sectors."

"Activity is not just confined to the southern half of the country, either," he observed. "The Midlands and North are sharing the experience. Development of business space in these areas and yields look set to improve quite rapidly."

*To be published in mid-December, price £10, by Hillier Parker Research and Financial Times Business Information Ltd.

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Brussels Orchestre National de Belgique conducted by Georges Octors...

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Bucarestina. Paolo Coni, Carsten H. Stabile, Peter Dronsky, Uwe Heilmann and Helene Schlottermann...

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Amsterdam The Radio Philharmonic and the Vienna String Sextet...

Rotterdam Rotterdam Philharmonie conducted by Valeri Gergiev...

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company. Olive Fredericks, Vladimir Atlantov and Piero Cappuccilli...

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Stuttgart Stuttgart Opera. Einstein on the Beach, by Philip Glass...

Frankfurt Opera. William Cochran sings the title role in Rudolf Noe's production of Otello...

Bethoven. Recital Hall (Sat). Radio Symphony Orchestra conducted by Kenneth Montgomerie...

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Chicago Art Institute. Paul Gauguin. The artist's first major retrospective for 30 years...

Washington National Gallery. Seven Centuries of Japanese Art...

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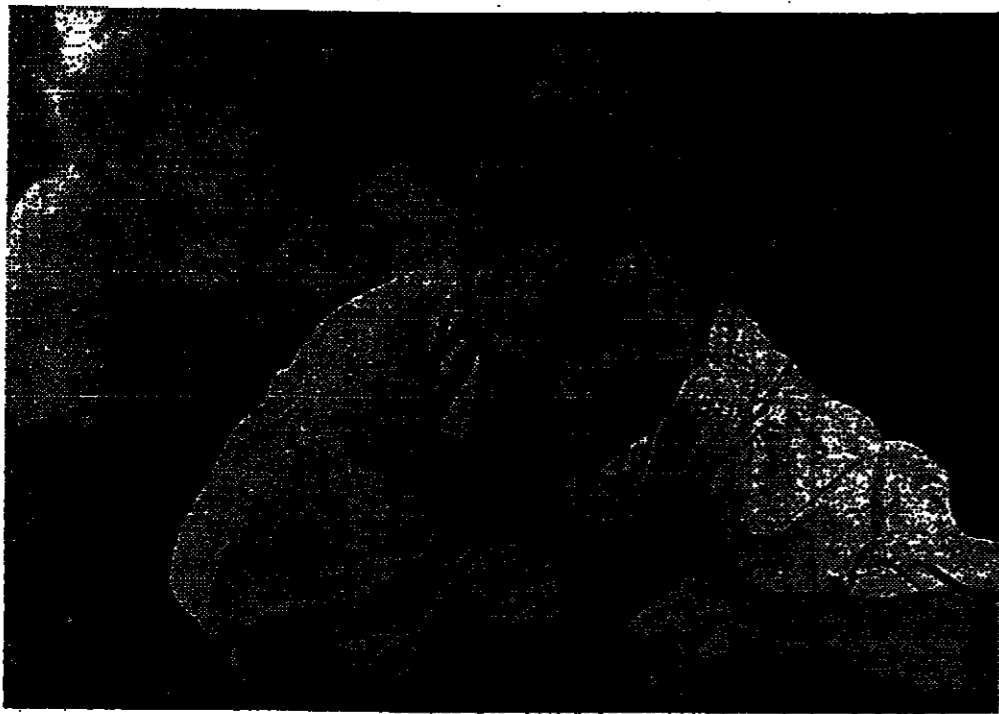
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ARTS

CINEMA

Tortured wailings of sax and soul



Robert Patterson and Debra Gillett

Germinal

THE PLACE

Pip Broughton's production of this adaptation of Zola's novel by actor-writer William Gonnara whisks us down to Nibelheim within a few minutes. The howling wind machine and the mechanical, repetitive movements of each character robotically going through the motions on his own axis, recalls the dehumanised bustle of a penny-in-the-slot machine. Then the massive table that dominates Simon Vincenzi's darkening set is tilted to form the tunnel in which the miners hack at the coal-seam, and their picks clang out in unison like Alberich's work-force.

literally by the grimy half-naked forms of the miners peering from under the table or supine under a chair as the mine-owner's family takes its breakfast brioches; or even slumped on the window sill when the unseeing pinstriped decides to draw the curtains on the strike-town town so as "not to appear provocative". A cinematic flexibility superimposes one scene on another. The workers' delegation marches up the white-clothed dinner table to confront the boss while the seated diners proceed imperiously; the miners line up naked to be sponged by the female attendant at the wash-house sink, so many docile horses waiting to be groomed, while the cracked property-owner gazes wistfully at Mme Levasseur as she washes her husband in his tin bath.

Individual performances were in style and achievement from the caricatured ogre boss to the realism of little Catherine, the girl miner, beautifully played by Debra Gillett, a real find. Lois Baxter's rich bitch looks and soups too modern; Robert Patterson's Ulster-accented agitator is immensely promising, but needs more vocal variation than his overused hollow bellow. Kileen Pollock's miner's wife, finally demoted, is a fine strong performance, as is the restrained Russian saboteur of Stafford Gordon (not to mention his charming rabbi). But the total effect is greater than the sum of the parts. Following its successful national tour the production can be seen at the Place, Duke's Road - a minute from Euston station or Moorgate - until December 8.

Martin Hoyle

Bird, Clint Eastwood's two-and-three-quarter hour film about jazz saxophonist Charlie Parker, is like the Great Wall of China: very long, very monumental and very much the same at any given point. The only difference is that while the Great Wall can be seen from as far away as the Moon, you can scarcely see Bird even from the front row of the stalls.

Was ever genius so remorselessly linked to doom and gloom? Swamped in shadow, the images are out of Camerun-go by film noir. Like Eastwood's last outing as director, the perversely titled Pale Rider - so dark it was actionably under the Trades Descriptions Act - Bird is propelled by Jack Grimes as if Clint were at his elbow saying "Move sterna, Jack, more drama". The assumption behind the movie, scripted by Joel Olszky, is that Parker's wailing genius on the sax was the outward and audible sign of the tortured wailings in his soul. Parker died aged 34 after a lifetime of drugs, drink and stormy living, so he is high on the list - just behind Vincent Van Gogh and Billie Holiday - of Creative Quarters.

screen synchronised with the digital re-mastering of old Parker recordings on the sound-track. Around these sonic oases stretches the vast midnight desert. The movie moves through a mid-century American film studio, the quaint old jalopies nose through the backlot streets, the interiors are awash with chic gloom and Venetian-blind-striped shadows, the windows weep with rain-machine grief. (The weather is terrible whenever Parker has an emotional crisis). And these high-tone clichés are spun out at such length that many critics have taken them for genius.

Only Forest Whitaker survives Bird with credit. Purvey of frame, pouch of mood, and heart-and-soul committed to the role, he seems born to play Parker. Without him, the movie's tragic posturings would be vain indeed. Bird tells us nothing about how Parker's music was created, nothing about where his originality lay, nothing about the fact that great art is born from joy as well as pain. These matters do not count in Biopic-land. Never mind the quality of the hero's art, just feel the width of his suffering.



Forest Whitaker as Charlie 'Bird' Parker

"Tomorrow is a really big day for me" replies Murray, rifling through his mental calendar. But the ghost comes anyway and soon spoof Dickensian is taking over the screen: a sacked and shotgun-wielding Bob Cratchit (Police Academy's Bobcat Goldthwait) a black Tiny Tim, a Ghost of Christmas Present (Carol Kane) who combines fluting voice with brutal right hook, a Darth Vader-style Christmas Future, and so on. As in Ghostbusters the thicker the festive gilt-wrapping the smaller the feebler becomes the wit inside. Soon Murray's flaky-mean super-pyquely, dispensing the funniest line in misanthropy since Jack Benny, is allowed aside by the noisy demands of what the studio assumes to be popular appeal. And what can a poor comic genius do with the movie's last scene: an on-air aria of contrition in which our modern Scrooge, standing in the middle of his own "Christmas Carol" set, turns on the tear-ducts and pleads for peace and goodwill to the viewing millions. Beach me! What a gall that son-of-a-bitch. He doesn't have the balls to stand up for what he preaches". This film was one of David Puttnam's commissions at Columbia. Ten

are The Nature of The Beast and To Kill A Priest. The first, written by Janui Howker and directed by Franco (Babylon) Rosso, is an oop-North fable for the Thatcher age. A mysterious sheep-killing beast stalks the moors around a beleaguered mill town. At first you wonder what the juddering, beast's-eye-view camera in the fields has to do with the central tale of a three-generation family beset by poverty and joblessness. Then your brain goes on like a lightbulb. Aha, you cry, allegory! The beast equals Unemployment.

But the revelation is bad news rather than good. The movie never transcends its parable for beginners premise, and under Rosso's flatfooted direction it ends up like Emeraldale Farm for hunt-the-symbol addicts. "Father, can you hear the tolling of the bells" warbles Joan Beaz over the credits of Agnieszka Holland's To Kill A Priest. Imbued with peace-and-love ethics, this co-production fictionalisation of the 1884 murder of Poland's Father Popieluszko comes on like a leftover from the 1960s. "Solidarity" is portrayed less as a political pressure movement of idealists gathered round their earthly messiah (Christopher Lambert as "Father Alek"). And the police chief assassin - a mixed-up martinet played by bulging-browed Ed Harris - is closer hippy than villain. Back in the 1960s you could always tell the villains by the fact that they were the only people to show any emotion. Everyone else had eaten their alfalfa, read their Gineberg and tuned into the universe, man.

marks for good intentions, one for achievement. The Everlasting Secret Family gets few marks for anything. This is lavish twaddle from Australia: a gay vice ring, a freelance Adonis (Mark Lee), a sodomitic Senator (Arthur Dignam), a bondage-pygame Judge (John Meillon) dying in his chains. A power failure cut the Press screening off ten minutes from closure; but not before one could opine that this is one of the ripest, dallest scandal-sheet melodramas since Valley of The Dolls. Michael Thornhill directed.

From cloudy heights the late Jean Cocteau - 100 next year - will look down pleasantly on the Everyman Hamstead. Diamond-bright and double-billed, two Cocteau-scripted classics, Les Enfants Terribles and Les Parents Terribles, show in new 35-mm prints. Jean himself directed Parents (1948), the young Jean-Pierre Melville directed Enfants (1949), and 40 years before "magic realism" became a household phrase here is the real thing. Eucharistic and true woyen together in tales of fraught families, dark emotions and the siren sweetness of forbidden intimacies. Nigel Andrews

The Mikado

Ah, the impudence. Everything about Jonathan Miller's twenties staging of The Mikado - now two years old - says "Nothing serious, chaps, and 'None of your old Tippu". And keeps on saying it, until Gilbert and Sullivan have been made to out-characterise and out-tap Oh, Kay! or Very Good, Eddie!

time is so cheery and Grace Allen sings "Shift Duper Lip". The staging is not helped by the relentless magnolia white of the decor; the English National Opera now has also got too many all-white sets in the scenery cupboard. And the production comes dangerously close to over-cleverness. The far-from-Japan "gentlemen of Japan" male chorus reproduces so many celebrated duets and arias that the twentieth-century - starting with Diaghilev on the left - that I started the evening with every misgiving.

Clara Butt as Katisha. Miller cleverly gives us Katisha as Clara Butt. Yes, another spartan idea - but, as with the choreography, the performance justifies it. Ann Howard powers her part-ropes while playing the role of his traditional (drag) partner. Her partner's hilarious. Even better is Donald Adams's ripe, pouty mouth. Richard Angus's impersonation of Robert Morley produces the best vocal and physical performance I have yet known from him.

Alastair Macaulay

Arden Court

SADLER'S WELLS

One of the great joys in looking at Paul Taylor's choreography is to see the tightness with which dance accords with music, the clarity of theme and expression. Like other master choreographers, he wastes nothing - neither ideas, nor time, nor energy. The dance speaks, and we understand. So it is to watch lovely Arden Court, which features in the autumn season by London Contemporary Dance Theatre.

generous with each other as they are generous in outline. Perhaps they suggest ideals of human behaviour, but how convincing this choreography seems as a way of being and of dancing. LCDT cast this piece well, in the main, and it is well worth seeing.

The Odd Couple

THORNBUKE THEATRE, LEATHERHEAD

One can imagine the scene. Neil Simon, America's most successful comic playwright, is being pressed for a new play. The deadline reduces to hours. Where can he go for inspiration? His eye lights on an early hit The Odd Couple, a great success 20 years previously. What about converting it to a female version, replacing the two oddball guys forced to share a home together with two girls in the same stew. It should not take more than an afternoon to rattle off and the idea is straight-on enough to fit.

even her intended sparring partner Joanna Vu Kysyeghem as the neurotically kept Flo, who arrives on her doorstep after a not very credible marital tiff. Simon realises that he has nothing to say early on and settles for scenes which could be lifted from afternoon soap. In act one the girls are around for the weekly session of Trivial Pursuit, a typically anodyne adaptation from the card school in the original, and he seems reluctant to give up the opportunities of making easy scenes around the answers to the game's questions to make way for the arrival of Flo and the "plot".

In desperation he introduces two comic Spanish characters from upstairs (cousins of Basil Fawlty's Manuel judging by the acting) who turn up for one of the most tedious dinner parties seen on the English stage, in which the confusion of the word "rouge" for the phrase "no good" passes for wit. Roger Cressold directs on a stage which is much too large to do justice to the smallness of the product and for a Manhattan apartment building the company are trouper and if nothing else this is a collectors' piece of what happens when a good writer gets a bee in his bonnet which turns out to be a dead duck. Antony Thorncroft

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ARTS GUIDE

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Friday November 25 1988

State control over water

THE Water Bill published yesterday, shows that privatisation is hardly the right term for what the Thatcher Government is planning to do with this large monopoly industry.

When the ownership of the 10 regional water boards passes from the state to investors, their managements will have scarcely any more independence than at present, and in some respects even less. In their core businesses - supplying water and disposing of sewage - they will be bound hand and foot by regulations specifying standards of quality and service, some from the European Community and others from ministerial directives. They will be subject to a pricing regime which will limit their return on investment, and allow the new Director of Water Regulation to examine in detail the prudency and efficiency of their capital expenditure. They will also be under the supervision of a separate 6,000-strong National Rivers Authority, charged with the general management of river basins.

In arranging these very tight controls, the Government has wisely responded to public anxiety about the effect of unleashing a profit motive into a vital industry where customers will remain captive to one supplier and where water charges are essentially the same as a tax. Ministers were right to think again about their proposal to allow the 10 water boards to retain their regulatory function over river basin management. Maximising profits from supply was inconsistent with the general control of pollution and the offtake of water in a region.

US system

Given its overwhelming desire to sell the industry, the Government is also right to opt for a variant of the US system of utility regulation which controls profits in relation to capital expenditures. The efficiency of price regulation will not be revealed until the Government publishes draft licences for the water companies. However, it appears that the regulator will permit prices to rise by the rate of inflation with adjustments for desired improvements in efficiency and the ability to recoup spending on improved water mains, sewers, treatment plant or reservoirs. In awarding price increases the regulator will be able to judge performance against the "yardstick" of similar companies under his control.

In an industry which has been starved of investment and where much capital spending

does not increase sales volume, this is the only sensible approach to regulation. However, it will require the regulator to make detailed appraisals of every company's investment plans to ensure that they represent good value for money. This is not very different from the monitoring which is done within the Government machine at present, but it will have the merit of being more open.

As a result of all these controls, and extensive general powers retained by the Government, the 10 large water authorities and the 29 statutory water companies already owned by investors will be very different from the Conservative paradigm of private sector enterprise. They will have safe, highly controlled businesses which are likely to provide a comfortable and modest rate of return not far from that of gilt edged stock.

Takeover protection

Then what is the point of selling them? A policy of building on the existing privately owned sector would have given time for experiment and comparison, without the upheaval now in prospect. One of the many questions still unresolved is whether the new companies will be protected from takeover. Already French interests have substantial stakes in the privately owned water companies, presumably with an eye to fat profits in the new regime.

The Government certainly does not want the industry to be consolidated into very large monopolies. But if it protects the 10 water companies from takeover it will have removed the only market discipline available.

One justification for the change may be that needed investment will be financed more easily by private capital than from the constraints of the public expenditure budget. But the Government must not pretend that new national resources will be made available. Customers will have to pay for the increase and for a better return on capital than the 5 per cent in real terms used in the state sector.

The Government is embarking on an immensely complex and costly exercise, without properly considering alternative ways of restructuring the industry and without having made a convincing case that the end results will bring benefits to the consumer. A huge amount of parliamentary time will be devoted to a bill whose economic justification is hard to detect.

Snake oil in Sweden

THE WORLDWIDE tax reform revolution has finally reached Sweden. The reform programme announced by Sweden's ruling Social Democrats this week represents a significant change of direction in a country notorious for its high rates of personal taxation. Democratic governments of all political hues, it appears, are now seeking economic salvation through supply-side reforms.

By abolishing the central state income-tax for all but the top 10 per cent of wage earners and by slicing the highest marginal rate from 72 per cent to 60 per cent, the Social Democrats will give all Swedes a substantial boost in their net earnings from 1991. But since there are no plans to reduce the total amount of revenue raised, the tax burden is being shifted rather than reduced.

Local taxes will continue to absorb about 30 per cent of the average citizen's income. The base of indirect taxation, which is levied at some of the highest rates in Europe, is being significantly broadened. This is bound to push up the cost of living. Considerably heavier taxation of capital is also planned, though the details have yet to be worked out.

Sensible moves

The modest reduction in top tax rates and the broadening of indirect taxes are sensible moves. But it may not be easy to extract the desired revenues from capital. Most Swedes now accept that individual effort in the labour market deserves a better reward. This marks a radical move away from the ideals of worker solidarity and income equality that have dominated Social Democratic thinking since the 1930s.

The changes are regarded as essential if Sweden is to keep

pace with other leading industrial economies, many of which have implemented far-reaching supply-side reforms. Tax cuts are also intended to ease domestic macroeconomic tensions.

Full employment has created serious difficulties for industry which faces labour shortages, wage inflation and poor efficiency in the use of working time. But whether reforms that will significantly increase the cost-of-living will have the desired effect of reducing wage-cost pressures remains to be seen.

The high rates of personal tax have also encouraged evasion, moonlighting and an elaborate system of perks and deductions that has become a national scandal. The promise of more vigorous action to close loopholes for the rich may go some way to diminish the worries among those who believe that Mr Feldt's tax reforms will simply degenerate into a tax-cutting bonanza for the affluent.

Lack of results

But the fundamental rationale for the reforms lies in the recognition that Sweden's once-admired economic model is no longer producing results. The economy is sluggish and vulnerable to international competition. The tax changes, coming into force in 1991, are only part of a much wider, bolder strategy which is designed to prepare the country for the challenge of the European Community over the next decade.

Making the huge public services sector more responsive to market pressures is now a crucial element in the Social Democratic programme. Indeed, the tax strategy could even stimulate a national debate on the future of the hallowed Swedish welfare state.

The real name of the argument is money, but nobody calls it that. Just when the Nato alliance is getting used to the most relaxed period of East-West relations in its history, relations between its two main pillars - the US and Europe - are becoming increasingly tense.

The Western allies have so far managed a valiant semblance of unity on the need to keep a strong defence and an up-to-date nuclear arsenal, even in the Gorbachev era. But they cannot disguise the squabbling about who is going to foot how much of the bill.

A report on burden-sharing, drawn up by Nato headquarters and attempting to find some common ground between the US and its allies in Europe, will be put to defence ministers in Brussels next week. But the only consensus as Nato approaches its 40th anniversary next year is that the 16-member alliance faces a rough patch.

There is no sign of the US Congress relenting in its campaign to make the Europeans cover more of their own defence, or of much "give" on the Europeans' part. Even the British Government, the one most praised by the US for its defence contribution, finds itself in an uncomfortable position.

"I recognise," commented Mr George Younger, the UK Defence Secretary, in a conversation a few days ago, "that there's a problem for the alliance in maintaining the unity that has been our greatest strength."

Mr Manfred Wörner, Nato's new West German Secretary-General, worries that expectations in the US have been pitched too high. In a recent interview, he said: "This question of burden-sharing will not die away."

Others in Nato speak of an underlying malaise, like a marriage in a difficult phase: a concern on each side that the other has not got its heart in the matter. The Europeans are bracing themselves, if not for a large withdrawal of US forces, at least for a slight running-down of the US military presence over the next few years.

The US compares the 6.6 per cent of gross domestic product that it devoted to defence last year with the rest of Nato's average of barely 3 per cent. US officials question the need for a dependence that Europe has grown accustomed to, and which often produces the corrosive effects of mistrust and resentment. But Europe has no pot of gold to combat the US Treasury. If anything, there will be less money available in future.

Defence budgets are under pressure, not least in the US itself, where the tide of the massive build-up in the early Reagan years has turned decisively. In Britain, firm plans have been set for real growth, not next year but in the two years after that - nevertheless, defence spending as a proportion of GDP can be expected to slide from 4.7 to around 4 per cent. Other European allies face varying degrees of constraint: Norway is slowing, Denmark standing still, Belgium going into reverse.

The blunt approach used by Mr William Taft, the US Deputy Defence Secretary, on the two European tours he made this year specifically to press the burden-sharing case, has caused no little irritation.

His message included a veiled threat. "We have resisted, at least for this year," he told a US audience in September, "the temptation to reduce our alliance contributions or take punitive actions against alliance partners perceived to be doing less than their fair share."

It is an old argument. Ever since the US realised in the 1960s that the Europeans were not so poor, it has tried a series of initiatives with the aim of sharing more equitably the task of facing the Warsaw Pact in Europe.

The US spends at least \$100bn (£54.6bn) a year on defending Europe, with 340,000 permanent personnel stationed there. By some calculations its

David White reports on arguments within Nato over defence spending

Squabbling over how to share the burden

overall Nato commitment amounts to as much as \$170bn annually, 60 per cent of its defence budget and roughly equivalent to the rest of Nato's defence budgets put together.

But as to what burden-sharing means in practice, the two sides have not even resolved what they are talking about. Burden-sharing is simply this year's title for a perennial, but now distinctly more heated, issue.

The coinage of the phrase (American) is not felicitous. Whose burden does it imply? Is it anything other than that of the US federal budget deficit? Nato's other official language, burden-sharing translates stumbingly as *la partage du fardeau*, conveying a preposterously bucolic image of bent-backed peasants with firewood. As a term it has not travelled well.

Instead, the Americans now want to talk about the three Rs - "risks, roles and responsibilities". But the arguments are the same.

The main hope for easing the prob-

lem lies in the planned new series of multilateral talks on conventional arms - the terms of reference are currently being worked out in Vienna. East-West arms reductions would mean fewer troops for the US and others to support. But this would only really start to resolve the debate if the resulting savings to European national budgets were channelled back into defence, which would be asking a lot.

US officials see advances being made with more standardisation, and collaboration in planning the procurement and development of armaments. It has not helped that the European Commission has recently chosen to talk about applying common external tariffs to arms imported into the European Community; this is still under discussion, although fears of a major impact have receded.

In the long term, the debate on responsibilities seems to point to more specialised roles being assigned among the allies, but for some this would be a radical shift in an area closely associated with the principle of national sovereignty.

It is a critical period for Nato. It is preparing its position for the talks on conventional arms cuts. It has to deal

Some speak of Nato like a marriage in difficulty - a concern on each side that the other has not got its heart in it

next week with the report on burden-sharing. A week after that Nato foreign ministers have to tackle a preliminary document outlining a "comprehensive concept" on arms policy, designed to provide a framework within which the West Germans can accept new nuclear weapons with shorter ranges than the medium-range missiles banned under the intermediate nuclear forces (INF) treaty.

The US wants burden-sharing to cover this nuclear modernisation, on which specific decisions need to be made next year. That is a question the defence ministers can be expected to fudge. In the short term, Nato also has to find the \$500m reckoned to be necessary to transfer a US wing of nuclear-capable fighters from Spain, which did not want them, to Italy.

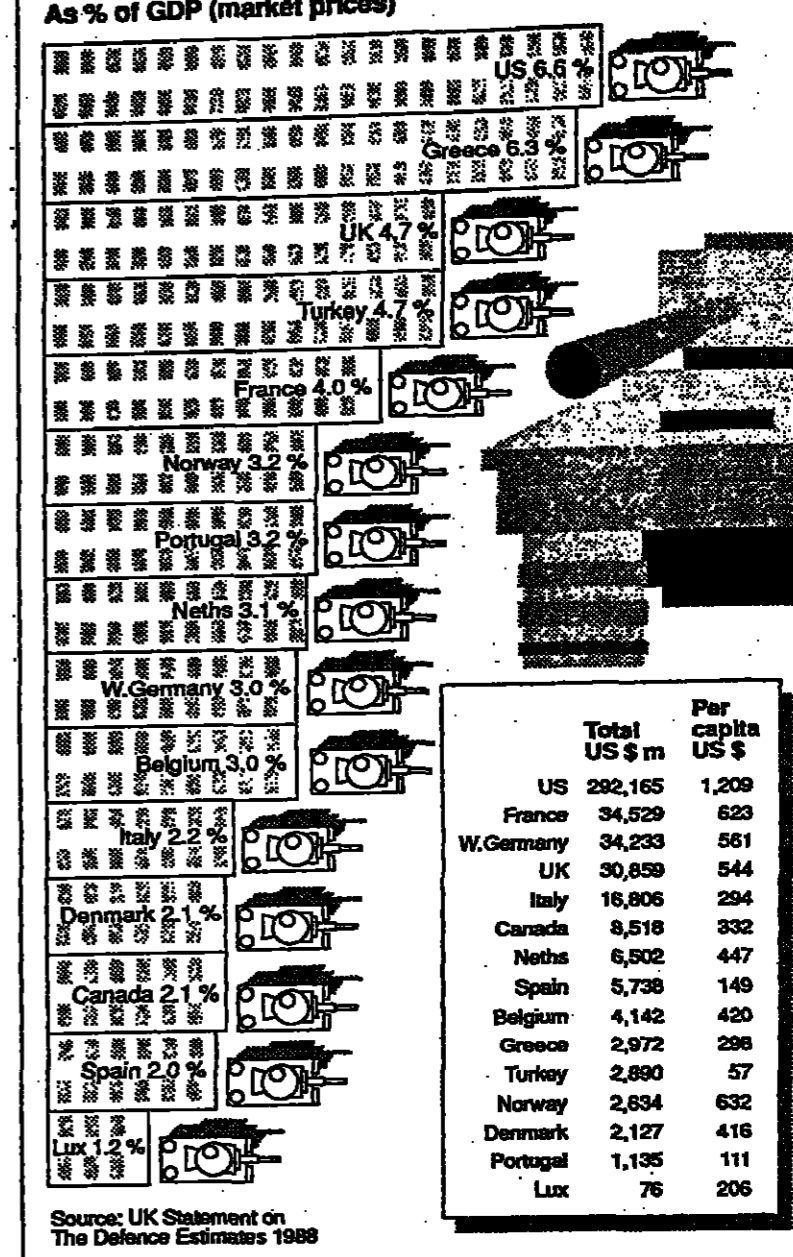
The US Administration has given a high profile to the burden-sharing issue, partly to appease loud voices in Congress. Nato officials see the Pentagon and State Department as being more understanding than some public pronouncements suggest, and hope a more moderate line will emerge.

The US says it is looking for signs that Europe takes its effort seriously. Its arguments are basically numbers, above all GDP input. Nato HQ and the Europeans have been trying to steer the debate in other directions. They say the allies should be judged by their output - what they get for their money. But the Americans are also critical there.

The so-called Eurogroup, comprising all Nato's ready forces in Europe and the Atlantic, they provided 90 per cent of manpower and artillery, 60 per cent of the tanks and combat aircraft, and 65 per cent of the major warships. They compare a 34 per cent rise in their real expenditure between 1970 and 1987 with a 15 per cent rise in the US, and a still sharper contrast in the evolution of defence spending per capita. Even so, last year the best European performers were only just over half the US per capita figure of \$1,206.

The Europeans argued that there were many indirect contributions that did not show in the figures. The conscript armies that most of them have - the UK being an exception in having scrapped compulsory military service - are cheap on paper. But what

NATO defence expenditure 1987



is the cost of keeping these young people out of other activities? Other unaccounted contributions range from real estate made available to US forces, to political support, notably for the deployment of US Pershing and cruise missiles in the early 1980s.

Mr Taft took the arguments on board but said the numbers still mattered. He responded to the common front by dividing the Europeans into four classes:

- In the top tier were the UK and France, as well as Greece and Turkey, even though much of these two countries' military spending is directed against each other.
- A middle tier contained Norway, the Netherlands, Spain, Portugal and West Germany.
- Below this came a special category for Italy, Canada and Luxembourg, which were not good but were improving.
- At the bottom came Belgium and Denmark. Iceland (no armed forces) was not counted.

Nato has taken a more complicated approach, assessing a whole series of indicators, such as the percentage of the labour force involved in each country, the quality as well as the quantity of conventional forces, sustainability, and the diversity of each country's effort. Credit is given for the five Nato members that station troops outside their frontiers.

Separate calculations are made for host-nation support and "invisibles" such as nearness to Eastern hot borders, the need for a presence in north-

ern areas of Canada and Norway, or the sufferings of West German villagers having to put up with low-flying aircraft. Account is taken of contributions to United Nations' peacekeeping forces, foreign aid, and political support.

The US wanted all the main measures drawn up on a scorecard or "matrix," but its proposal has been resisted as crude and divisive.

In the end the decisions for each country are political ones. The hope among Nato officials is that their pithy report with its range of short, medium and long-term recommendations will at least be helpful to those governments that are trying to boost their defence effort.

But no country can be taken to court for not doing so, and officials feel it would be counter-productive to continue lambasting low-spenders such as the Danes.

The Danish Government did, after all, call an election in May to keep the country's Nato relationship intact. The poll came after an anti-nuclear move by parliament that would have made it effectively impossible for Nato ships to visit Denmark.

Even setting targets could be risky, if the targets then prove unattainable. It has been worked out that at least \$10bn of extra annual resources could be generated if the lowest spenders - the Danes, Italians, Spanish and Luxembourgers - were to bring their contribution up to 3 per cent of GDP. "So what," shrugged one high-ranking diplomat at Nato. "They're not going to."

French grip on Interpol

France has reasserted its grip on Interpol with the election of Yvan Barbot, director general of the French national police, as the international organisation's new chairman.

Based at St Cloud, near Paris, Interpol has always had French fingerprints. A Frenchman was secretary general from the end of the second world war until 1965, when Raymond Kendall of Scotland Yard took over. The chairmanship has been held since 1984 by John Simpson, director of the US Secret Service.

Simpson was prevented by Interpol's statutes from standing again, but the US was backing General Fow Sarsasin, head of British police, against Barbot. US officials have often in the past suspected the French of laxity in the fight against terrorism, although the clampdown since the wave of bombings in Paris in the autumn of 1986 should have changed that.

Despite a home advantage - the Interpol meeting was in Bangkok - the general was unable to shake off the suspicion that Thailand is a little too complacent with the drug producers who flourish on its territory. Recent reports in the Washington Post on the embezzlement of US aid by Thai officials cannot have helped Fow, whose substantial business interests make him independently wealthy.

The 51-year-old Barbot, who was an adviser to Prime Minister Pierre Messmer as well as to two interior ministers, was named head of the national police by the last French government in January 1987.

Some doubters question whether the prize was worth fighting over, for Interpol sometimes looks more like an imposing letterbox than an effective international organisation. The possible entry of the Soviet Union, however, has raised the stakes.

OBSERVER

Attlee's bid

Earl Attlee, the 61-year-old son of the former Labour Prime Minister, has made the unusual setting of the House of Lords to open his campaign to enter the European Parliament - as the SDP member for Hampshire Central. The Conservative-held seat became vacant through the death of Basil de Ferranti and the by-election will take place on December 15.

Attlee acknowledged that few Peers present in the Chamber at the time were likely to vote in favour of his bid. He gave a brief outline of his manifesto. He wants Britain to support the introduction of a common currency and the establishment of a central bank (based in the City of London), and to recognise the need to increase the power of the European Parliament.

Irish problem

A senior figure in the Northern Ireland Office explained the problems of making policy on Ulster yesterday: "If you upset the Social Labour and Democratic Party (SLDP), you upset the Irish. If you upset the Irish, you upset the Americans. And if you upset the Americans, you upset the Foreign Office. So, you see, it's all very difficult."

Blake's vision

Lord Blake, the historian of the Conservative Party, was in Moscow yesterday giving a talk on perestroika - British-style - to a select and respectful group of analysts. In the course of a speech which catalogued the Thatcher government's virtues, he disclaimed any intention of teach-



"I wonder who'll own the rain."

ing or preaching to the Soviet audience; but he did, briefly, link Soviet perestroika to other recent European "moments of truth" when decline was, painfully, halted. "It occurred in West Germany in the early 1950s. It occurred in France a few years later; it occurred in Britain in the second half of the 1970s. It has occurred in the USSR in 1985."

Busy lady

Lady Howe is gradually moving back into activities other than being the wife of the Foreign Secretary. When Sir Geoffrey became Chancellor in 1979, she gave up her job as full-time executive deputy chairman of the Equal Opportunities Commission. Two years ago she became a non-executive director of Woodworth Holdings and recently joined the board of United Biscuits, whose chairman is Sir Hector Laing. Laing also chairs Bust-

ness in the Community and she has now agreed to spearhead its drive to strengthen the impact of women on business life and the economy.

Taste of Cuba

There is a furious anti-smoking campaign in Cuba. Fidel Castro gave up his Havana two years ago. And that, says Francisco Padron Perez, helps to explain why the country is stepping up its export drive.

Padron is the Director General of Cubanatabaco, the state tobacco monopoly. He was in London yesterday to launch a new range of cigars - La Gloria Cubana Serie Medaille d'Or - through Knight Brothers, the exclusive importers in Britain of Romeo y Julieta. He says the slogan should be: "Smoke less, but smoke better."

Most Cubans keep up the habit, despite the public health campaign. They are the third biggest smokers in the world - after Greece and Cyprus. A population of around 10m consumes 350m cigars a year. About 80m are exported. Cuban cigarettes, Padron adds, are exported only to the socialist countries.

Knight Brothers began trading with Cuba in 1965 after the great-grandfather of the present chairman went to Havana to build the Cuban railway and was asked to send back some cigars. British consumption of Havana is running at just under 5m a year and has recently begun to rise. "The tax cuts in the last budget helped," says Peter Knight. Women are the great untapped market. Knight spends much of the rest of his time teaching Scottish country dancing.

From the heart

Graffiti in a London social security office: "Being rich isn't half as good as being poor is bad."

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From the heart

Graffiti in a London social security office: "Being rich isn't half as good as being poor is bad."

POLITICS TODAY

Public trust, public property

By Joe Rogaly

No British subject should be asked to trust the Prime Minister. The same goes for the Home Secretary. This is not to say that the present incumbents of those offices, Mrs Margaret Thatcher and Mr Douglas Hurd, are misusing their considerable powers: there is no evidence to that effect. But neither should be the sole judge if either is accused of administrative or other ministerial misconduct. The same applies to their successors, even if one of them should closely resemble the Archangel Gabriel.

All is spoiled by the central assumption that the executive can be trusted

It is for this reason that the British Government's proposed new security and secrets laws, taken together, constitute a package that diminishes our democracy. The proposals contain a very great deal that is to be welcomed, but all is spoiled by the central assumption that the executive can be trusted. The Americans understand these things. They start with measures whose total effect is retrograde, but whose components can reasonably be sold as a series of progressive responses to legitimate expressions of public concern.

The story begins with the 1985 Interception of Communications Act (Ioca), which provides for a tribunal to investigate complaints by individuals who feel that they are subject to improper electronic or similar surveillance. If the Home Secretary has wrongly signed a paper to allow, say, telephone tapping, the warrant can be quashed, the tapes destroyed, and the individual compensated. This is progress. An outsider, Lord Justice Lloyd, has been appointed to report annually on the exercise of powers under Ioca. In March he reported that he had found that a handful of wrong numbers had been intercepted. The embarrassed agencies put them right. That, too, is progress. But wait. His report goes to the Prime Minister, through her, to Parliament. She has the power to blue-pencil anything that she thinks would prejudice national security.

Parliament will never know if Downing Street has exercised this power. It could not know, even in the most extreme case of abuse that one might hypothesise, unless Lord Justice Lloyd blew the gaffe. He would probably have to resign to do so. Under the proposed reform of the Official Secrets Act, he could be sent to prison if he spoke out, before or after resigning.

When Mr Hurd presented his Security Service bill to the Commons on Wednesday it was rightly welcomed by many on both sides of the House as in itself a step forward. It is, in the sense that it does for burglary and bugging what Ioca does for listening in to telephone calls and reading telexes and letters. People will be able to complain, and the complaints will be investigated by an independent tribunal. If a particular act of "obtaining information from property" has been carried out without correct authority from the Home Secretary, the tribunal will have the power to set matters right. The officers of MIS will be aware of this. They will also be conscious that they must be ready to open their files to the new Security Services Act Commissioner, who like his Ioca counterpart, will report to Parliament through the Prime Minister.



Mr Hurd: his bill was welcomed as a step forward

power than does any similar administration in the Western world; the case for external supervision of its security services is therefore greater than in many of the other countries (Australia, the US, Canada) that allow for it. There is, of course, another point of view. You can insist that Britain will always be governed by people who are not crooks. You can assume that none of them will ever suffer from the corruption of long-term power. You can laugh away as a "conspiracy theory" the hypothesis that a Prime Minister, a Home Secretary, a High Court Judge and associated officials would plot a British Watergate and connive in a mechanism for keeping it quiet. If, like me, you have been educated abroad you will find this too plausible by half. If you have been educated in Britain you might very well swallow it.

Among those who do are the well-educated senior officers of MIS itself. Its Director-General, Mr Patrick Walker, is a career security officer in his mid-50s who was promoted from Deputy at the beginning of this year. He has a job at least as demanding, and well-paid, as that of an average

parliamentary secretary. In fact his predecessor, Sir Anthony Duff, who was a deputy secretary at the Foreign Office, used to say that heading MIS was a much tougher assignment than that of permanent secretary of a large department. Those around Mr Walker are not unlike any other clutch of well-mannered civil servants. Not only are they decent men; one of them even looks like Sir Alec Guinness. They are not all of one opinion. Some are relaxed about the fact that their major addresses are publicly known (the building on Curzon Street has become a TV symbol for MIS); others still firmly believe that it is socially and operationally desirable to operate under the usual Ministry of Defence cover. In deference to the charming Sir Alec, I shall not repeat any further addresses here.

The service has become younger over the past few years. A surprisingly large proportion of its 2,000 staff are under 30. Its officers devote much time and energy to the recruitment of young graduates. They look for candidates with a good degree, analytical ability, judgment, and "something extra". Most British universities have

contributed. You could apply by writing to the Home Secretary, but the usual procedure is for MIS to trawl the civil service appointments board and the campus careers offices. They will also advertise, under cover of interesting work with an unnamed firm. In all these cases, the eventual offer will come as a surprise.

People like to take a pride in their job. In my view, all the bad publicity of the past few years must have affected morale. Perhaps it is partly for this reason that MIS welcomes the proposed Security Service legislation, which not only recognises the agency's existence for the first time in official history, but also puts it on a statutory footing. It welcomes the imposition of an independent commissioner and tribunal to which it must be ready to account for its actions. In short, the Home Office drafted the new bill, but all it needed for the job was a good rewrite man.

This is not to say that MIS supports Mrs Thatcher in her obsession with absolute secrecy. Some of its officers no doubt do; others would quite like Mr Walker to appear on TV and give interviews, like his counterparts in many other countries. The service is in its wholly British way quietly scolding about the proposition that a body outside the "ring of secrecy" - say a committee of the Privy Council - should serve as a last court of appeal against its actions. It would certainly accept an outside watchdog, but it argues that any such device would be less onerous than the local-like internal but independent tribunal and commissioner that the Government proposes to introduce. Once you go to an outside body, they say, you inevitably tell it as little as possible. The accountability would be all on the surface, as in Sweden where, Mrs Thatcher's Scandinavian counterparts aver, they are less under the control of Parliament than they appear to be. It is tempting to leave it at that. In Mr Hurd we have a Home Secretary who takes a strong interest in the Security Service. He has made sure that he knows its two deputy directors-general and a number of officials of lower rank. He talks to them regularly, unlike some of his predecessors. After conferring with Mrs Thatcher he appointed Mr Walker. The principle tasks facing MIS at present - to help combat IRA terrorism and watch the KGB - are jobs that have to be done, and done well. The urge is to stand back and let them get on with it, under the Home Secretary and the Prime Minister. All that is necessary to satisfy this urge is to tell yourself that all politicians in this country will always be trustworthy, whatever the circumstance.

LOMBARD

How to upgrade teaching quality

By David Thomas

IMAGINE AN official report which said this: "We regret to inform the public that a quarter of the operations carried out by newly qualified doctors are incompetent. Many new medical graduates lack the first idea of how to conduct themselves in an operating theatre. Sorry."

Or this: "We must tell the public to be wary of seeking advice from newly qualified lawyers. Too many have graduated with only a hazy grasp of the law, and a fair number seem quite unable to handle clients in a professional way. But most of them appear to mean well."

Such conclusions would cause scandal. Yet a report reaching precisely such conclusions about another profession - teaching - has recently slipped out from the Department of Education and Science. Her Majesty's Inspectors of Schools, official watchdogs of educational standards in England and Wales, have made an exhaustive study of almost 300 newly qualified primary and secondary teachers. It makes depressing reading.

A quarter of the lessons taught by teachers straight out of training colleges were unsatisfactory or worse. More than half those joining primary and middle school teaching showed inadequate grasp of their subjects. Fully 30 per cent of lessons ignored the needs of the less able or the more able. It used to be argued that poor teaching is simply a residue of helter skelter expansion in the late 1960s and early 1970s, when entry standards for teacher training were lowered disastrously. On the contrary; the flow of unsatisfactory teachers into the schools is as strong as ever. The inspectors found that one fifth of newly minted primary and middle school teachers and 11 per cent of secondary teachers lacked some or many of the basic skills needed.

ings were unveiled, they simply rehearsed piecemeal measures already in train.

The inspectors called for clearer definitions of what teachers should be able to do; suggested that schools should receive a profile of new teachers' abilities; and proposed a review of how schools and education authorities handle new teachers. These proposals do not go nearly far enough. There should be an urgent review and overhaul of training colleges. Many of the new teachers interviewed by the inspectors complained of insufficient stress on practical issues such as discipline and teaching method during their training. One possibility is the creation of teaching colleges, along the lines of teaching hospitals, where trainee teachers would be permanently attached to a school or group of schools throughout training. (If the one-year post-graduate certificate in education has to be lengthened to yield acceptable quality, so be it.)

Much more rigorous procedures for weeding out newly qualified poor performers are essential. The Government is abolishing the period of probation which new teachers have to serve, which typically resulted in fewer than 10 new teachers a year - less than 0.1 per cent of the intake - being deemed unsuitable; the inspectors found more than 10 per cent lacking basic skills. All head teachers must take responsibility for smoothing the entry of new teachers into the classroom. The inspectors found that after six months of teaching, only two thirds of new primary and middle school teachers had been observed by more experienced members of staff.

Head teachers hanker after much larger salaries, to reflect the new managerial responsibilities placed on them by the Government's educational reforms. They should be told that one of the key functions of a manager is developing new members of staff. Part of their salaries should depend on their success in that role. *The New Teacher in School. HMSO, £4.50.*

LETTERS

Cleverness can cost too much

From Mr Brian Hindley

Sir, Over the past few years, the European Community (EC) has developed a new method of identifying and measuring dumping. This new method is capable of finding dumping even when the price of a product in the country of export is demonstrably lower than the price of the same product when sold in the EC.

The method overstates dumping margins by large amounts, and it detects dumping where, by any objective criterion, no dumping has occurred - and accordingly can lead to the imposition of anti-dumping duties where there has been no dumping. Details of the new EC method are discussed in an article in *The World Economy* (March 1986) by Christopher Norrall, a Brussels-based lawyer specialising in anti-dumping, and in my article which appears in *The World Economy* in December 1988.

The new EC method has been applied to exports from Japan, and is now being extended to far-eastern suppliers in general. In effect, the Commission has used its anti-dumping powers to raise the *de facto* level of EC protection against far-eastern products by a very large amount. Moreover, this protective effect is not restricted to those products that have actually been found to be dumped. An exporter will not sell for 100 in his home market and 100 in the EC when he knows that that pricing strategy will lead to a finding of dumping and an anti-dumping duty. He will instead charge 140 or 150 in the EC - if he can serve the EC market at all at such elevated prices.

anti-dumping policy against far-eastern suppliers that raises legal, constitutional and economic (to say nothing of ethical) issues. Anti-dumping policy is now the centre of the Commission's far-eastern trade policy.

Mr de Clercq asserts that EC anti-dumping policy is consistent with the Gatt (General Agreement on Trade and Trade) rules. Time will tell. Japan has made a formal complaint in the Gatt about one aspect of EC policy. Further formal complaints might be expected.

What Mr de Clercq does not say is that the Gatt rules on anti-dumping measures are quite vague, and were not designed to cope with situations to which the new EC methods are being applied. In the past, anti-dumping actions have typically applied to basic necessities and products which do not require a complex distribution network. The Commission's creative new method, on the other hand, comes into its own when dealing with products which are sold through distributors associated with the manufacturer.

I am reminded of the James Thurber character who finds himself in front of his car, in an extraordinarily contorted position, observed by a sceptical New York motor-cycle policeman. "Well, it's not against the law is it?" the Thurber character asks defensively. "Probably that's because they hadn't thought of it," says the cop.

Mr de Clercq also says, correctly, that the European Court of Justice has found in favour of the Commission's methods. What he does not say is that the Court expressly confines its attention in these cases to the question of whether the Commission has correctly followed the Council's Regulations. Whether the Court's performance of that narrowly defined task has been satisfactory is a matter of some controversy.

But since the Court does not enquire whether the Council's Regulations make economic sense, nor even whether they are consistent with the Gatt rules, its decisions cannot be used to defend either of those points. That the Court has found the actions of the Com-

mission to be consistent with the Council's Regulations merely raises a question of the degree of complicity between the Council and the Commission in the manipulation of anti-dumping policy for protective purposes.

Mr de Clercq makes much of the willingness of the Community to accept undertakings in settlement of dumping cases. It is quite true that a majority of cases traditionally have been settled by that means, and that continues to be true for cases other than those which are the subject of current concerns with the EC anti-dumping policy.

What Mr de Clercq does not say is that this is not generally true of cases involving commercially sophisticated products from Japan and the Far East. Moreover, in one of the first of that series of cases, the Council set the precedent by rejecting a proffered undertaking in these terms: "In this particular case... in the light of present trade relations with Japan (my italics), it is not in the interest of the Community to have recourse to price undertakings as an appropriate remedy for the injury resulting from dumped imports."

The defensive posture clear from Mr de Clercq's article ("Other people do it too" is usually taken to be tantamount to a confession) is in one sense unnecessary. The Commission's new method is clever. Even someone like myself, who favours liberal trade policies, can admire the ingenuity. A protectionist can presumably be even freer in his admiration.

It is still the case, however, that this particular piece of cleverness will cost European purchasers of the affected products - and the EC as an entity - billions of European currency units (ECU) per annum. Moreover, even a protectionist might wish his preferred policy to be honestly based.

And EC citizens in general might hope that when the institutions of the EC make a claim, the basis for the claim has demonstrable validity. That is not the case with EC claims of dumping by suppliers in Japan and the Far East. Brian Hindley, Trade Policy Research Centre, 1 Gough Square, Fleet Street, EC4

Time to do business, please

From Mr P.P. Montgomery

Sir, One of the things making life particularly difficult for British companies trying to do business in Europe is the one hour time difference.

On the face of it this would not appear to be an important problem. In practice, during an eight hour day, up to four hours of business time may be lost: two hours each day because of different starting and finishing times (mainland Europe starts work at 8am and finishes at 4pm); a further two hours during the lunch break (mainland Europe eats between 1pm and 2pm, the UK eats between 2.00 pm and 3.00 pm, continental time).

Obviously this is a "worst" case; the reality is probably not as bad. But our European counterparts do not share this problem when doing business with us, and it must to some extent affect British competitiveness.

If as a country we are serious about the single market, the UK must fall in line with the rest of Europe - though I satisfy this urge to tell yourself that all politicians in this country will always be trustworthy, whatever the circumstance.

Virgin's property projects

From Mr Richard Branson

Sir, While I find it hard to fault most of your detailed coverage of Virgin Group's management buy-out, I would like to clarify our plans for property development.

We remain totally committed to growing our property development subsidiary, Vanson, which is currently engaged in several new commercial, retail and residential projects. Richard Branson, Chairman, Virgin Group of Companies, 120 Compton Hill Road, W8

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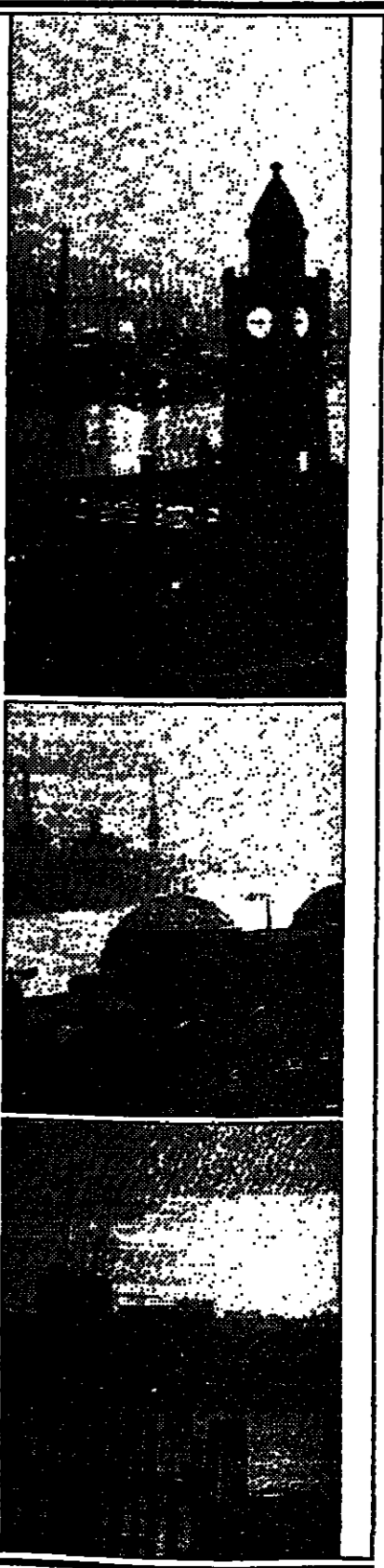
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Property Matters to FULLER PEISER

FINANCIAL TIMES COMPANIES & MARKETS

Friday November 25 1988



INSIDE Roche gets both feet on the ground

Why was F Hoffmann-La Roche like a flamingo? Fritz Gerber, chairman of the Swiss chemicals company, reckons it was because it spent too much time standing around on one leg: that of Valium, the anti-anxiety drug. As sales of this tranquilliser have faltered, Gerber has had to resume his management team and widen the company's drug range. Peter Marsh looks at how he has fared since January's failed \$4.2bn bid for Sterling Drug of the US. Page 18

Down, Down, Down Under The current malaise of the Australian stock market illustrates the extent to which it remains a hostage to external and domestic economic forces. Last week the All Ordinaries Index fell through the key 1,500 barrier, and analysts expect equities to underperform into the new year. High domestic interest rates, the strong Australian dollar, weak commodity prices, and concern about the international economy are to blame, writes Chris Sherwell. Page 38

Wichita line men join range war

With the battery "everyday low pricing", Sears Roebuck, the US department store group, has launched a counter offensive against the new specialty retail stores and discount operations that have steadily eaten into its market share. Sears has been trying out its new strategy in its Wichita branch, and describes the scheme as an "idea whose time has come." But the trouble with the concept is that its time appears to have come for the US retail industry as a whole, making things no better for Sears. Page 18

Good news from Vienne fuels lift off in US airlines prices

The US airline industry has had a good year, and related stocks finally found the trigger for a rally this week in news from the Opec meeting in Vienna. But even after the latest price gains, the stocks' reaction to recent fare increases has been less than dramatic, writes Janet Bush. Page 38

Magnetism of the mating game

This week saw the start of the annual iron ore "mating season", when producers and consumers get together to decide prices. Valerie Darroch explains why, after seeing returns eroded in recent years, suppliers are determined to win big rises from the thriving steel mills of Europe. Page 28

Sandvik builds on profits rise

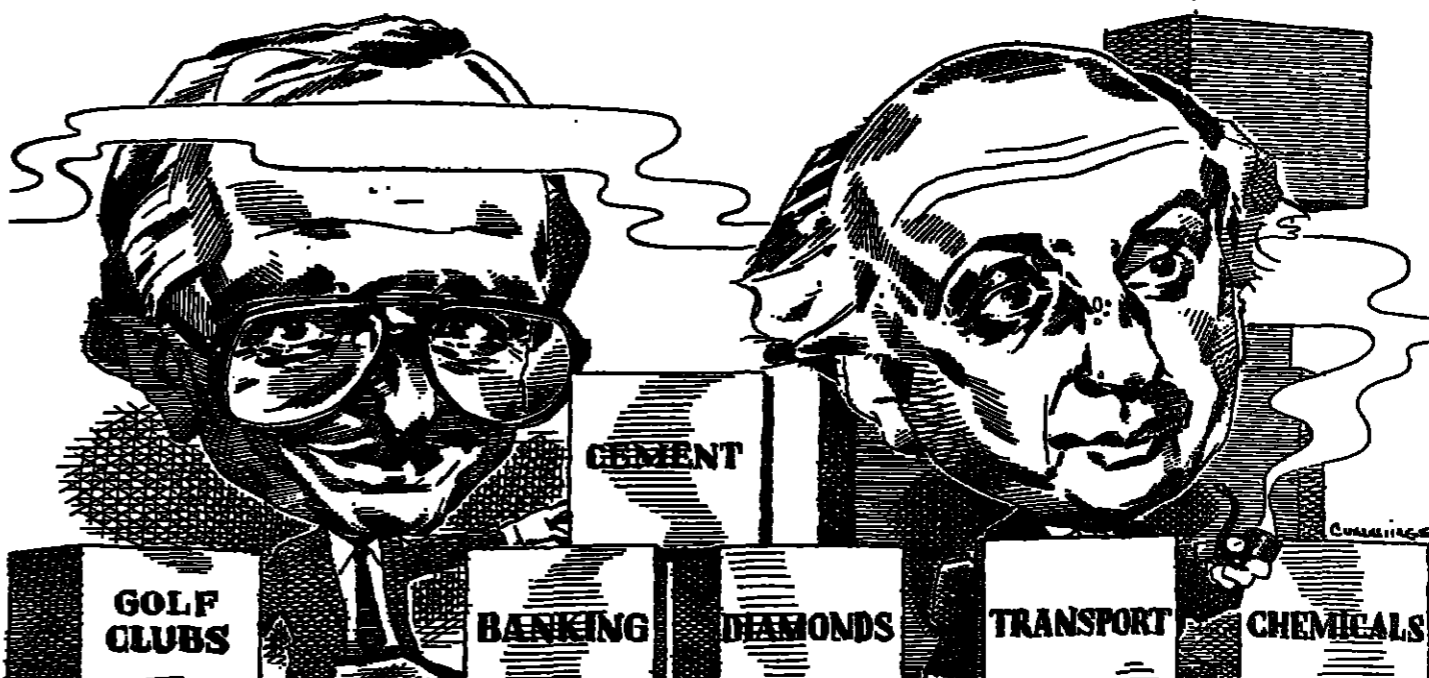
Sandvik, the Swedish cemented carbide and special steels group, increased pre-tax profits by 41 per cent to SKr1,920m (\$317.3m) during the first nine months of 1988, and predicted pre-tax profits for the whole year would exceed its earlier forecast of SKr2,500m due to continued strong market demand. Page 18

Irish minister clears path for Pernod victory

By Lisa Wood in London FERNOD RICARD, the French drinks group, is poised to declare its £24.50 per share offer for Irish Distillers unconditional today, clinching victory over GrandMet, the Irish Minister for Industry and Commerce, wielded a rarely used power and limited GrandMet's stake in Irish Distillers to less than 30 per cent. However, Mr Reynolds, who had referred both offers to the Irish Fair Trade Commission for investigation, gave a green light to Pernod's bid which values Irish Distillers at £235m (\$411m). He attached a number of conditions, including one that no brands should be disposed of by Pernod without the consent of the Irish Government. Mr Reynolds's decision, announced late on Wednesday night, came a few hours after Mr Justice Simon Brown refused GrandMet's plea for an early hearing of its application for a judicial review of a decision by the City Takeover Panel. The Panel had ruled that Pernod was not required to release Irish Distillers shareholders from their commitment to the French group's offer. The British judge's ruling freed Pernod - which holds a 53 per cent stake in the Irish company - to declare its offer unconditional today. GrandMet, which intends to keep its 29.9 per cent stake in Irish Distillers, said yesterday: "We are obviously disappointed. We believed Irish Distillers would have been better off with us and that we would have done the best for the Irish whiskey industry." Mr Reynolds, in announcing his decision, said GrandMet had commercial propositions which it saw as benefitting the industry. However, taking a wide range of criteria into consideration, he concluded that an acquisition by GrandMet would be against the common good. In his Prohibition Order, which prevented GrandMet proceeding with its bid, he said investment in the spirits industry would be reduced if GrandMet acquired Irish Distillers and the UK group's plans to sell brands would prejudice the development of the Irish distilling industry. Pernod, which is seeking to increase its foreign spirits operations, gave assurances in its offer document that it would "maintain the integrity of the Irish whiskey industry by retaining the brands and the two distilleries." Pernod said it ran the subsidiaries on a de-centralised basis and Irish Distillers would be treated in the same way. GrandMet's frustrations, Page 18

Troubled Co op suspends Otto

By Andrew Fisher in Frankfurt MR BERND OTTO was yesterday suspended from his duties as chairman of the Co op retail group of West Germany after offering to resign earlier this week in the wake of criticism about its confused finances, ownership, and organisation. The Co op remains a profitable concern, creditor banks and shareholders have grown concerned about the level of its indebtedness, which is at least DM33m (\$1.7bn). Much of this is in the form of short-term debt. Trading in Co op shares was suspended on Tuesday because of the unclear situation over the company's future. They stood at around DM400, having shot to just over DM600 after the flotation in October 1987 of nearly 7 per cent of the stock. The issue price was DM160. The decision to suspend Mr Otto from the chairmanship was taken yesterday by the company's supervisory board. It will discuss the question of a successor next month. Mr Otto's salary as chairman is around DM1.5m, making him one of the highest paid German executives. As well as agreeing to suspend Mr Otto, the supervisory board also "noted with satisfaction" the proposals of German and foreign banks to restructure Co op. These provide for four foreign banks - Schweizerische Bankverein (whose German subsidiary led the flotation), Amro Bank of the Netherlands, Security Pacific National Bank of the US, and Svenska Handelsbanken - to acquire 70 per cent



Herve De Carmoy (right) and Viscount 'Stevie' Davignon: Changing the structure of La Générale's diverse empire

Grand plan behind the smokescreen

Tim Dickson explains how the rebuilding of La Générale is taking shape

Viscount Etienne Davignon - still inseparable from his famous pipe. But as the best known director of Société Générale de Belgique puffed contentedly during a press conference yesterday there was evidence that another notorious Brussels smokescreen is at least starting to clear. Ever since June when Compagnie Financière de Suez, the French investment bank, emerged victorious from an epic six month takeover battle with Italian businessman Mr Carlo De Benedetti, Europe's financial establishment has been eager to know how the new owners of La Générale would shake up a sprawling commercial and industrial empire with stakes in roughly 1,200 companies, and activities ranging from banking, cement making and diamond trading to transport, chemicals and golf clubs. It was soon obvious there were to be no quick answers. The new management team under ex-Cardinal Bank director Herve De Carmoy retreated over the summer to consider the possibilities, and though steps were taken in September to moderate the group's stance and a certain amount of peripheral shuffling kept observers on their toes, the grand lines of the company's future plans were still being worked out. The significance of this week's developments - the announcement on Tuesday of a BFR2bn (\$335m) rescue operation for three of La Générale's most depressed businesses and yesterday's subsequent press briefing from Mr Davignon and Mr De Carmoy - is that a clearer picture of the group's financial and industrial intentions is emerging. For instance, the rescue plans outlined for the three "lame ducks" (chemicals concern Gechem, armaments group Fabrique Nationale de Herstal, and allied electrical and electronics business ACEC) would appear to contradict those commentators and analysts who have subscribed to what Mr Davignon called yesterday the "obsession Française" - the idea that Suez was concerned solely to strip out the good businesses in the group and abandon some of the worse performing but politically sensitive companies in the portfolio. La Générale believes recent moves illustrate the hitherto vague and ill-defined objective of concentrating resources on companies with a "leadership position" - those which are either world leaders in their sector or capable of becoming so, and backing or putting in top quality management teams. Thus FN, although plagued in the past by labour problems and virtually on its last legs financially, is getting continued support because of its pre-eminent global position in infantry weapons and the Browning, Beretta and Winchester names held through the Browning subsidiary. (The intention is to raise FN's stake in Winchester from 37 per cent to 100 per cent.) Gechem, the broadly diversified chemicals group which is also a heavy loss maker, will dispose of its plastic films and (probably) its fine chemicals activities, but strong backing will be provided for Rectice, the highly profitable polyurethanes group, which is responsible for more than 50 per cent of turnover. ACEC, a heavy employer in the depressed Walloon region of the country, is a slightly different case and, as Mr Davignon admitted, does not contain the right ingredients to allow La Générale's strategy to succeed on its own. The plan (as with the aeronautics side of FN) is to look for industrial partners for each of ACEC's main operating areas, a policy which bore fruit this week with the creation of ACEC Energy and the participation through a 51 per cent stake of French group Alsthom. La Générale also points to recent votes of confidence it made in CMB, the lucrative transport business which effectively controls the port of Antwerp, and CER, the acquisitive cement maker building a reputation in North America as a global player. In both cases La Générale has subscribed to rights issues to allow the companies to continue their expansion. The recapitalisation operations for FN (a total of BFR5.1bn from La Générale), Gechem (BFR6.3bn) and ACEC (BFR650m) are designed to remove the financial burden which has been dragging the companies down in recent years and enable them to start performing again. Thus BFR4.9bn and BFR5.02bn of restructuring and other costs is being written off immediately at FN and Gechem respectively. Some sceptical analysts noted yesterday that only about BFR6bn of the new capital was in cash, with the rest raised by converting debt that the companies have into La Générale stock. Some technicalities of the operation, however, could cause more anguish - notably the way in which the new shares issued in FN and Gechem will be preference shares and first in line for dividends when the companies start paying out again. That could leave some speculative holders of FN and Gechem stock nursing heavy losses when (as is expected) the Stock Exchange quotations are restored today. Mr De Carmoy said that after the recapitalisation plans have been implemented - the agreement of other "stakeholders" such as public authorities has yet to be finalised - La Générale was likely hold about 80 per cent of FN and Gechem (compared with just over 50 per cent now). Mr De Carmoy, however, would not provide a profit forecast for this year, but an accompanying statement from the company said that "on the evidence which is currently available, the significant increase in the consolidated profits of La Générale ought to allow all the write-offs which are foreseen to be taken into account." The message is that while this year's stated profit may not look so good, the decks are being cleared for a substantial leap in 1989. That is certainly the story which La Générale will be carrying to the international investment community in the new year, when Suez has indicated its intention to float off a part of the 80 per cent stake in the company which it acquired in the battle with Mr De Benedetti. The cost of the shares is a heavy burden. Mr De Carmoy was cautious on the exact timing - perhaps conscious that while he has taken some of the harder strategic decisions, the market will be eager for evidence that the new policy is paying off. There is a long way to go.

Rothmans profits rise by 11%

By Clare Pearson ROTHMANS International, the cigarettes and luxury consumer goods company, yesterday reported interim pre-tax profits up 11 per cent - but the figures also showed that restructuring benefits at the group's tobacco division are diminishing. Operating profits at the tobacco division achieved a mere seven per cent rise to £148.5m (\$270m), after a 78 per cent leap in the comparable period. Strong performance from Dunhill and Cartier, the jewellery and perfume concerns, combined to propel group pre-tax profits to £155.5m. City disappointment with the pre-tax result was mitigated by a better-than-expected 19 per cent rise in earnings per share. The "B" ordinary shares closed at 46p, down 5p. On broadly maintained sales of 2945m, margins on tobacco during the first half improved by about one percentage point. Mr Malcolm Thompson, finance director, said although some further benefits of rationalisation were yet to come through, they would represent "tinkering" rather than big changes. On the group's cash position, which had risen to \$47m by the period end, Mr Thompson said: "We don't feel it's a bad problem to have just at the moment." The group continued to look for acquisition targets, but the very high value being attributed to branded goods was making it harder than ever to find worthwhile ones, he said. Cartier, which is 47 per cent owned, put in a glittering performance as luxury consumer goods registered a 45 per cent rise in profitability at the operating level to £46.2m. With sales revenue standing at £265m (£219m), margins improved by about three percentage points. Dunhill Holdings, the 51 per cent subsidiary separately announced last week it had achieved pre-tax profits of £18.7m, a 23 per cent increase. Chloe, the French fashion and perfume house, was described as leading into significant profits for the first time. Net interest receivable came out at £12.3m (£11.3m). Liquid funds at the end of the period were lower than they would otherwise have been because of two factors: the payment of the final dividend for last year in September instead of October, and earlier payment of certain excise duties and taxes. Operating profits split into £96.5m (£75.4m) for associates and £59.0m (£38.6m) for the company and subsidiaries. Currency movements meant gross sales revenue, including associates, came out at £2.5m. That was marginally below last time though there was an underlying 3 per cent rise. Tax took £63.7m (£62.1m). Earnings attributable to ordinary and "B" ordinary shares came to 23.8p (28p). The interim dividend is set 17 per cent higher at 3.5p.

Boots strides ahead to £132m

By Maggie Urry in London BOOTS, the retail and industrial chemist, yesterday defied the gloom in the rest of the retail sector by reporting group interim profits up nearly 20 per cent at £132.4m. The shares rose 4p to 283p, despite the fall in the market. Excluding property profits of £7.4m (compared with £5.5m) pre-tax profits in the six months to end September were £125m, £10m above City expectations. Sir James Myth, group chief executive, said that Christmas sales were very encouraging at present. The profit increase came from the retail side, which increased trading profits 53.5 per cent to £66.6m. Part of the gain resulted from a change in the pricing policy between the industrial and retail divisions. The retail side buys many of its products from the manufacturing business and gained £6.5m of profits from the shift. Without that boost, the retail division increased profits 38.4 per cent to £59.5m. Mr Robert Gunn, chairman, said that the drive to improve the business's focus and profitability was now paying off. The use of electronic point of sale and direct product profitability systems, which allow swift identification of poor returns on product lines, had allowed the retail division to get rid of unprofitable lines and replace them with higher margin goods, with a major effect on margins. Trading profit margins in the Boots the Chemist chain, which saw profits 33.5 per cent ahead,

Market Statistics table with columns for Base lending rates, Bondmarket Govt bonds, European options, FT-A indices, FT world indices, FT int bond services, World commodity prices, Foreign exchanges, London recent issues.

Companies in this section table listing various companies like Banque Brux Lambert, Grand Metropolitan, Guinness Mahon, etc.

Chief price changes yesterday table listing shares like Rothmans, Boots, etc.

LONDON (pence) table listing shares like Boots, Dunlop, etc.

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INTERNATIONAL COMPANIES AND FINANCE

Banque Bruxelles Lambert ahead 10%

By Tim Dickson in Brussels

BANQUE Bruxelles Lambert, one of Belgium's three leading commercial banks, yesterday reported that consolidated net profit after transfer to tax-free reserves rose by 10 per cent to just over BFR4bn (\$1.14bn) in the year ended September, while balance sheet totals moved up by 7.8 per cent to BFR1.795bn.

The improved results were accompanied by an announcement that the bank intends to offer its shareholders the choice between receiving cash for their dividends and reinvesting their coupons in BBL shares.

This practice of optional dividends, which will be put to the annual meeting in February, is not uncommon in the UK but has not up until now been attempted in Belgium.

Commenting on yesterday's figures, a bank analyst said better evidence of the group's strong recent growth was provided by the near 15 per cent increase in earnings per share to BFR403 while net cash flow over the period was 19 per cent better "compared with the downward trend among many other European banks."

BBL's return on equity has reached 15 per cent and its return on assets 0.29 per cent - the latter a figure low by international standards but good by comparison with other Belgian banks.

During the year under review, BBL has improved its position on the Eurobond market. At the end of September, it was the leading Belgian bank in this market and ranked fourth in the world this year against ninth in 1987.

BBL's share price closed slightly higher last night at BFR2.940.

Valeo in US venture

VALEO, the French car components manufacturer, is forming a joint venture with Acustar, an offshoot of Chrysler of the US, writes our Financial Staff.

The company will focus on high technology air conditioning systems for the car maker.

Everyday low pricing - an idea whose time has come

Deborah Hargreaves outlines the sweeping changes taking place in US retailing, spearheaded by Sears, Roebuck

Staff at Sears, Roebuck's store in Wichita, Kansas, have been playing "spot the chief executive officer" this summer as rival retailers have flocked to the store to take a look at Sears' "everyday low pricing" in action.

At Wichita - chosen for its relative obscurity - Sears has been testing the strategy it plans to extend to the rest of its 825 department stores. Its move is being watched closely by the rest of the retail industry, which is this year struggling with a sharp decline in consumer spending.

With everyday low pricing at the core of a major restructuring announced by Sears at the beginning of November, the 103-year-old company is aiming to turn corporate complacency into a low-cost mentality. The transition could prove to be a wrench for the world's largest retailer.

Faced with cut-throat competition from a battalion of new specialty retail stores and discount operations, Sears' department store ideology has lost out in recent years. The

new price strategy will cut regular prices in a bid to compete with discounters instead of relying on the higher mark-ups and periodic sales favoured by department stores.

Although the company says it was contemplating the new strategy for more than a year, it was forced to precipitate an announcement by increased Wall Street activity in its stock amid takeover rumours.

Mr Ed Brennan, Sears chairman, calls everyday low pricing an "idea whose time has come." But the trouble with the concept is that its time appears to have come for the retail industry as a whole.

K mart, the second largest retailer, has already made a move this year to lower its own shelf prices, and Sears could still find it difficult to regain its market share in the aggressive environment.



Bright sparks at Sears creating low-cost mentality

Mr Monroe Greenstein, retail analyst at Wall Street investment firm Bear Stearns, calls it evidence of a more honest pricing structure in the industry. Consumers are frustrated with what he calls "fraudulent

sales" when merchandise is available during the wrong season at markdown prices. Sears reckons that its new pricing regime will cut promotional expenses in half. The company spends some \$80m a year devising new promotions and sales - on average, it

offers 8,000 items a month as part of a special sale - which in turn cost more to advertise.

Since everyday low pricing will be accompanied by a move towards a narrower range of merchandise, the company will also save in inventory charges. In all, the new strategy could

save some \$200m a year in warehousing, handling costs and advertising expenditure, estimates Mr Michael Boric, who heads the company's merchandise group.

But Mr Brennan is quick to stress that Sears will not end up resembling the discount retailer with which it intends to compete. "There is a perception that we will end up looking like a discounter with self-service counters and wider aisles for shopping trolleys. But the store will not look much different from a regular Sears department store."

In that case, analysts question how the giant retailer can convince customers that anything has changed. The strategy could take three years to introduce and Sears will have to cut far more costs if it is going into effective competition with the discount outlets, says Mr Rick Nelson, of Duff and Phelps, the Chicago investment firm.

With sales set to reach \$27.5bn this year, K mart is a formidable competitor that could well topple Sears from

its spot at the top of the industry.

K mart was quick to move into the growing areas of specialty and discount retailing and, as a consequence, the company's growth has outstripped that of Sears and J.C. Penney, the third largest store group, both of which until recently remained entrenched in a department store mentality.

K mart's comparable store sales have been growing at a rate just above 2 per cent this year in a slow retail climate while Sears and J.C. Penney have seen flat comparable sales.

With the aggressive discounters working on low profit margins, Sears will have to cut more costs to pitch itself successfully into the fray. Analysts have thus far been lukewarm about the company's proposals, saying they do not go far enough to cure its ills.

Mr Nelson, of Duff and Phelps, says: "Just look at the discounts. K mart has a corporate staff of 3,500 with almost the same sales total as Sears." By comparison, Sears merchandise headquarters staff numbers 8,000 in what Mr Nelson calls a "bloated corporate structure."

Canadian bank surges 51%

By David Owen in Toronto

NATIONAL BANK, the sixth largest Canadian chartered bank, yesterday reported a 51 per cent increase in final quarter earnings.

On an operating basis, income was flat. The discrepancy is explained by a C\$22m (US\$18.4m) provision for losses on transborder claims made in the 1987 fourth quarter.

Profit for the latest period totalled C\$97.1m or 55 cents a share, against C\$44.4m or 38 cents a year ago.

For the full year to October 31, net profit was C\$226.3m or C\$1.87, against a year-earlier loss of C\$45.7m.

The loss includes a hefty provision of C\$298m for losses on transborder claims. At an operating level, 1987 net earnings reached C\$252.3m.

The 10 per cent or C\$28m decline in year-on-year net operating income corresponds almost exactly with a C\$26.5m after-tax loss in relation to unauthorised first-quarter

transactions by one of its New York-based bond traders.

At the latest year-end, the Montreal-based bank's provision for losses on sovereign loans was C\$574m, representing 38 per cent of the gross amount outstanding.

In September, the bank completed the acquisition of 73 per cent of the securities dealer Levesque Beaubien. The purchase had little impact on fourth-quarter results.

George Weston flat as unit disappoints

By David Owen

GEORGE WESTON, the Canadian food, fish processing and forest products group, has reported flat third-quarter earnings, primarily because of the disappointing performance of its Loblaw Companies unit.

Net income for the period edged up just 2 per cent to C\$40.4m (US\$34m) or 81 cents a share from C\$39.7m or 80 cents

a share a year earlier. Revenues declined marginally to C\$3.22bn, against C\$3.25bn in 1987.

For the nine months ended September 30, net earnings advanced strongly, thanks to a C\$64.3m extraordinary gain on the disposal of the InterBake Canada division of Weston Foods. The sale raised gross

proceeds of C\$115.7m.

In all, the group's nine-month profit climbed fully 80 per cent to C\$158m or C\$3.22 a share from C\$88m or C\$1.85 a year ago.

Revenues increased to C\$8.4bn from C\$8.3bn. Before extraordinary items, net income was ahead just 7 per cent at C\$83.7m.

Volvo forms finance unit in Holland

By Robert Taylor in Gothenburg

VOLVO, the Swedish auto, food and trading group, is creating a new financial organisation registered in Holland. The new company will be responsible from January 1 for the group's long-term borrowing on the international market and provide finance for operating capital in Volvo's European subsidiaries.

It will also trade and invest in the money, capital and currency markets.

The Bank of Sweden has authorised Volvo to transfer SEK1bn (\$167m) to the new subsidiary as shareholders' equity.

Mr Petr Cylizbenzmar, the company's chief executive officer and chairman, said: "The aim is to improve the return on our financial sector and improve the co-ordination of our financial activities."

Buehrmann boosts profits 35%

By Laura Raus in Amsterdam

BUEHRMANN-Tetterode, the Dutch paper and board group, boosted earnings by 35 per cent in the first nine months and repeated its forecast that full-year profits would amply exceed those of 1987.

Net income surged to Fl 97.5m (\$30.5m) or Fl 3.64 a share in the January-September period from Fl 72m or Fl 2.97 a year earlier. The industrial products division, where recent acquisitions were made, and graphic equipment

were credited with the strong performance.

The consumer products division failed to respond as rapidly to restructuring as the company had hoped.

Disposals have been costly and a new household paper factory in Northern Ireland has been plagued by the rising price of raw materials and start-up problems. Werdalhave, the Dutch property group which recently purchased Peachey Property of

the UK, has given details of its planned Fl 270m rights issue. The company will issue 1.567m new shares on a one-for-five basis. The proceeds will boost shareholders' equity to Fl 1.6bn.

Net asset value per share at the end of September was Fl 164.75, against Fl 158.36 at the end of 1987. Direct investment results for the first nine months rose from Fl 51.7m in the 1987 period to Fl 69.7m.

Fresh share offer for San Diego Gas

By Our Financial Staff

SAN DIEGO Gas and Electric has received a further share-swap offer from SCEcorp, the Los Angeles-based parent company of Southern California Edison.

A merger of SCEcorp, the holding company for Southern California Edison, and San Diego Gas would create the largest electric utility in the

US with about 4.8m customers. San Diego Gas has deferred a decision on the offer for another week. It is estimated to value San Diego Gas at around \$2.7bn.

SCEcorp is proposing to exchange 1.3 shares of its common stock for each common share in San Diego, compared with the previous offer of 1.225

shares, which valued the company at around \$2.36bn. This offer was rejected by San Diego's board. The latest proposal includes an exchange of the companies' preferred and preference stock.

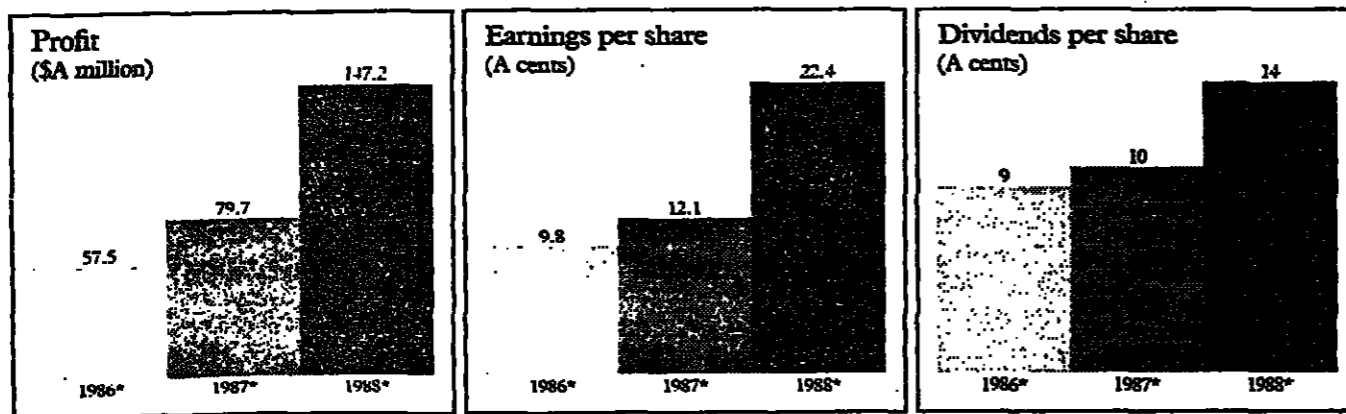
SCEcorp's move follows the demise of San Diego's merger plans with Tucson Electric Power.

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INTERNATIONAL COMPANIES AND FINANCE

SocGen spotlight moves to Axa-Midi

By Paul Betts in Paris

THE BATTLE over Société Générale, France's leading privatised commercial bank, is entering a new phase with the spotlight shifting away from Mr Georges Peberéau and on to the French Axa-Midi insurance tandem.

Although Mr Peberéau and his allies have accumulated a stake of just over 10 per cent in SocGen, attention is becoming increasingly focused on the emergence of the big French insurance companies in the affair.

Mr Peberéau, former chairman of Compagnie Générale d'Electricité (CGE), now appears to be planning to adopt a lower public profile and manoeuvre in the wings with the new insurance players which have entered the battle.

Mr Peberéau believes he remains in a strong position, in spite of SocGen's recent defensive build-up. After unsettling the management of SocGen by taking a 10 per cent stake in the bank, Mr Peberéau now appears to be relying on a new distribution of cards in the complex battle with the arrival of the insurance groups.

Compagnie du Midi confirmed at the beginning of this week that it had acquired from Kleinwort Benson a 12.78 per cent stake in SIGP, the main vehicle Mr Peberéau has used to build his stake in SocGen. The diversified insurance

group also indicated it would welcome co-operating with SocGen and would invest directly in the bank.

However, the motives of Midi, which earlier this year merged its insurance subsidiary Assurances Groupe de Paris (AGP) with those of Axa, are still unclear. Financial sources suggest, however, that the Midi move is part of the running battle between Mr Bernard Pagezy, chairman of Midi, and Mr Claude Bebear, the chairman of Axa, for overall control of the Axa-Midi insurance empire.

Indeed, Mr Bebear, who owns 28.6 per cent of Midi, was infuriated by Midi's announcement that it had bought the Kleinwort Benson stake.

These latest developments have also coincided with purchases of Midi shares by Assicurazioni Generali, the Italian insurer, which has now increased its stake in Midi to around 17 per cent. And while Mr Pagezy is still trying to fend off the Italian group, Mr Bebear appears to view with growing favour a broad Axa-Generali alliance to form what would become Europe's biggest insurance conglomerate.

This insurance battle, according to bourse sources, now risks becoming increasingly embroiled with the SocGen affair.

Sandvik profits rise on strong demand

By John Burton in Stockholm

SANDVIK, the Swedish cemented carbide and special steels group, increased pre-tax profits by 41 per cent to SKr1.92bn (\$317.2m) during the first nine months of 1988, and predicted pre-tax profits for the whole year would exceed its earlier forecast of SKr2.5bn due to continued strong market demand.

Sales during the nine-month period climbed 27 per cent to SKr11.5bn, while orders rose 31 per cent to SKr12.7bn. Sandvik reported pre-tax profits of SKr1.92bn in 1987 and sales of SKr13.24bn.

Strong sales, particularly in North America, and recent acquisitions in the US and Asia are contributing to the increase. Sales in North America jumped by 79 per cent to SKr2.28bn while sales in Europe, Sandvik's biggest market, climbed by 19 per cent to SKr3.50bn.

All five main divisions reported improved sales and operating profits. The steel division reported the biggest profit increase, surging by 95 per cent to SKr450m based on a 31 per cent increase in sales to SKr3.88bn.

Sales for the cemented carbide division, the group's biggest unit, totalled SKr6.32bn, up 27 per cent from the previous year, while profits rose by 26 per cent to SKr1.19bn.

Trelleborg, the Swedish industrial conglomerate, has bought the hard rubber production units of Austria's Semperit and Chloride Group of the UK for an undisclosed sum to become the world's leading producer of rubber for the battery industry, Benter reports.

Production at the Bolton-based Chloride unit with annual sales of SKr20m, will be moved to Trelleborg's Spondon Plastics subsidiary at Spondon in the UK. Trelleborg said the Linz-based Austrian unit, which currently has annual sales of SKr60m, is to be closed and production moved to Trelleborg's Dutch subsidiary at Hoogezaand.

Roche beats flamingo syndrome

Peter Marsh on moves to expand the chemical group's product base

MR FRITZ Gerber reckons he no longer has to worry about the flamingo syndrome. Mr Gerber is not a zoo keeper but the chairman of F. Hoffmann-La Roche, the Swiss chemicals company which he believes for too long stood on one leg.

The Basle-based Roche is virtually synonymous with Valium, the name of the company's best selling tranquilliser which during the 1970s and early 1980s provided enormous revenues.

Sales of this product - and of other similar drugs which act on the brain to reduce anxiety - propelled Roche into the first division of the world's drug companies.

More recently, however, the company has faltered. This has been due largely to falling tranquilliser sales brought about by competition from cheaper, generic drugs together with general unease about the unpleasant side-effects of anti-anxiety medications.

Mr Gerber, who is a lawyer by training, has spent the past few years reshuffling Roche's management, bringing in younger people to replace older executives who have retired.

He believes Roche has now stopped being dominated by Valium and similar products. "It took an enormous effort to rid ourselves of the flamingo syndrome," says Mr Gerber, who was in a reflective mood during a recent interview in his large and airy offices overlooking the Rhine.

According to Mr Gerber, who is a studiously polite 59-year-old, Roche now has a good spread of drugs on sale and under development, buttressed by a range of other activities including sales of fine chemicals, fragrances and flavourings.

However, his big attempt to push Roche into a new era came to nothing. Last January Mr Gerber - who took over as Roche chairman in 1978 and combines this job with being chairman of the Zurich Insurance Group - bid \$4.2bn for Sterling Drug, a leading US maker of non-prescription pharmaceuticals.

The acquisition would have helped Roche to develop its small but growing over-the-counter business and



COMPANY PROFILE table with columns for Sales 1987 (SFR m), Net income (SFR m), Divisinal sales as % of total, Pharmaceuticals, Vitamins and fine chemicals, Fragrances and flavours, Diagnostics, Instruments, Crop protection chemicals, Others.

Fritz Gerber (left): acquisition cash is not burning a hole in the Roche pocket

given it a still stronger position in North America - which last year accounted for one third of Roche's sales. The effort failed, however, after Eastman Kodak, the photographic and electronics group, turned the bidding into an auction and ultimately snapped up Sterling for \$3.1bn.

Mr Gerber says of the tussle: "It (the acquisition) would have been a perfect fit. We had the potential on the research side of the drugs business and they (Sterling) had the marketing strengths. But we Swiss have a sharp pencil. In the end the price was too high."

Mr Gerber, whose company has about SFR5bn (\$3.5bn) in liquid cash, says he has not given up making a big acquisition in the US drugs business. He declines to say which companies he has in mind - although among the US pharmaceutical companies which are commonly thought of as being possible takeover targets are Rorer and Pfizer.

"We want to use the money (the liquid cash) in the development of the group. It is not burning a hole in our pockets. We can wait for a good company to come along." Among Mr Gerber's preoccupations in the past few years has been changing the strategy of Roche's research and development (R&D). The lion's share of the company's research spending, which last year came to SFR1bn, goes on health-care products - an area which, encompassing drugs and diag-

nostic systems, accounted for roughly half Roche's sales SFR7.7bn. Net after-tax income for the year was SFR482m.

In the past, says Mr Gerber, the company had plenty of ideas in the "R" side of its research and development activity but fell down when it came to bringing products into the market.

"We had first-class molecules at the research stage but a lot of them got lost. My job has been to establish priorities and get better links between the research and clinical sides of the company. In the past in research we were a bit like a jack-of-all-trades."

Anti-anxiety drugs like Valium, which is Roche's second biggest selling pharmaceutical, still add up to an important area for the company. The group has, however, moved into newer products, including treatments for skin disease, AIDS and cancer medications. Roche's biggest selling medication last year was Rocophin, an antibiotic which had estimated sales of \$50m.

Mr Gerber reacts cautiously when the discussion turns to the possible side-effects of some of Roche's products. Valium, together with other tranquillisers based on chemicals called benzodiazepines, has been linked to over-use, leading to some patients becoming highly dependent on them.

Roche was also in the headlines earlier this year over

medical difficulties which have arisen in the US concerning Accutane, a Roche anti-acne drug. The product is thought to have led to birth defects in some cases where it has been prescribed to pregnant women.

Of the controversy over Valium and similar tranquillisers made by Roche, Mr Gerber says that he lacks the scientific expertise to discuss in detail whether such products cause dependency. He points out that for prescription drugs like Valium it is doctors, not pharmaceutical companies, who are responsible for choosing an appropriate medication for their patients.

"We are concerned about any indication that our drugs might be being overused," says Mr Gerber. "We have no intention of seeing our drugs over-prescribed."

Mr Gerber says he does not feel any embarrassment about Roche being so strongly linked to Valium, nor does he think this has hurt the company's corporate image. "We feel Valium is a first-class product."

As for Accutane, Mr Gerber says the drug is a "real breakthrough" for treating certain severe forms of skin disorders. Roche had always known, however, about defects in the drug which could arise if it were taken by pregnant women - and had warned the medical profession about this.

Problems might have arisen, says Mr Gerber, if these warnings had not been adhered to. "I am convinced Roche has behaved honourably and responsibly over Accutane."

Regarding the future for Roche, the company, whose scientific skills are generally well regarded, is thought of as being in a good position to exploit technical advances in fields such as biotechnology which could lead to new and promising drugs. The same applies to diagnostic systems in an area where Roche recently reached a novel agreement to distribute its products in the Soviet Union.

The company is also strong commercially in flavourings, vitamins and fragrances - areas which if not growing at an especially high rate command high profit margins for the right product.

AMB sees earnings increase

By Our Financial Staff

AACHENER UND Muenchener Beteiligungen, the holding company for the Aachener und Muenchener Insurance Group, said it expected earnings to continue to improve in 1988.

Mr Helmut Gies, AMB management board chairman, said yesterday that, based on figures for the first nine months, total annual income from subsidiaries and investments should rise to DM11.8m (\$68.4m) from DM10.6m in 1987.

He repeated earlier statements that AMB would pay a steady dividend of DM12.50 per share in 1988. Income from insurance should rise to DM52m in 1988 from DM47.2m in 1987, said Mr Gies.

He did not make any profit forecasts for 1988. In 1987 AMB made a net profit of DM55.5m, up from DM25m in 1986. In June Mr Gies said 1988 net profit should rise to DM62.5m.

The chairman said Bank für Gemeinwirtschaft (BfG), in which AMB owns 50 per cent plus one share, should contribute just under DM40m to 1988 earnings, steady from last year.

As of September 30, BfG's balance sheet total stood at DM47.8m, 3.9 per cent higher than at the same time last year.

Unconsolidated premium income from insurance should rise 7.2 per cent to DM4.9bn in 1988, Mr Gies said.

Enbrugas, the West German gas utility which is majority owned by coal producer Ruhrkohle, said it planned to raise its capital by DM700m to DM1.8bn to finance an investment programme.

Wella income edges ahead to DM95.7m

By Our Financial Staff

WELLA, the West German hair care and cosmetics group, said yesterday its group pre-tax profit climbed 7.9 per cent in the first nine months of 1988 to DM95.7m (\$55.7m) from DM88.7m a year earlier. Group sales rose 12.5 per cent to DM1.58bn from DM1.38bn.

To the Holders of COLLATERALIZED MORTGAGE OBLIGATION TRUST TWENTY Class A Floating Rate Bonds Due February 25, 2017 Pursuant to the Indenture dated as of February 6, 1987 between Collateralized Mortgage Obligation Trust Twenty and Texas Commerce Bank as Trustee, notice is hereby given that the interest rate applicable to the above Bonds for the interest period from November 25, 1988 through February 24, 1989 as determined in accordance with the applicable provisions of the Indenture, is 9.6875% per annum.

DAIICHI KANGYO BANK (Advertisement) DKB ECONOMIC REPORT November 1988: Vol. 18, No. 11 Favorable business climate continues in Japan. Inflationary fears in the U.S., particularly in the financial markets, have been somewhat allayed because of the imposition of tight monetary policies, the drop in oil prices, and the stability of primary commodity prices. This does not mean, however, that the fear of inflation has been obliterated. Following the steady rise in capacity utilization, the supply and demand for finished products remains tight. Yet in the labor market, wage increases have become a more difficult problem than unemployment rates. The levelling of unemployment rates started last spring. But a steady rise in wages are certain to have an effect on prices. Thus, it is still too early to predict an end to inflationary pressures. Meanwhile, the business climate in the U.S. continues to be favorable. Reflecting increased production, the monthly capacity utilization rate from April to August has attained a new high every month. Also during this period, equipment orders (excluding those from the Defence Department) rose 21.9% over the same period last year which indicates that plant and equipment investment are proceeding at a brisk pace. A closer look at demand trends, however, shows that domestic demand is slowing down, particularly in the household sector. Personal consumption has weakened primarily in the purchase of durable goods partly because of drought-affected farm incomes. Housing investment decreased to an annual rate of 1.46 million units for June to August as compared with the 1.5 million housing starts recorded for the March to May period. Among other reasons, this is believed to be the result of the spreading impact of the rise in interest rates. Exports which have held the leading role in boosting the economy, are continuing to expand although the growth rate has peaked. The rapid growth in export volume from the second half of last year was mainly the result of the cumulative effects of the low dollar and the growth of the world economy led by Japan and Europe. The recent stability of the dollar is, nevertheless, expected to decelerate exports and, consequently, slow the pace of the trade imbalance adjustment. It is likely that the U.S. economic growth will slacken because of decline in domestic demand and lull in its export drive. Although a slowdown in the economy would tend to ease inflationary pressures, it is expected that the dollar will fall in concert with the deceleration in the growth of exports which in turn will dull the improvement in external imbalances. Thus, it will not be so easy to significantly reduce inflationary pressures. Continued strength of the Japanese economy. A negative growth rate of 3.9% was recorded for the Japanese economy during April to June compared with the same period last year. Since then, it is believed to be expanding briskly based on the recovery observed in exports, the expanding domestic demand, strength of personal consumption and investments in plants and equipment. Consumption trends continue to boom under favorable conditions for household income as a result of positive employment and wage conditions, as well as stable prices (Fig.). Sales of durable goods have been particularly noteworthy. The influx of products from the Asian NIEs, spurred by the high yen, have intensified competition in the domestic market. To survive in the competition, higher quality domestic products, both in terms of function and design, have been introduced and prices for all goods have fallen dramatically. As of August 1988, prices were 5% lower than they were at the start of the year's rise in 1988. Plant and equipment investments have increased, reflecting improved corporate income and favorable personal consumption trends. In fact, the recent climb in machinery orders (excluding electric power and vessels) by the private sector marked the highest level of increase since 1973. Exports have staged a significant recovery. Export volume on a customs-clearance basis for the first half of this year (cumulative volume for January to June) rose by 2.5% over the same period of last year. And year-to-year growth rates for the July to September period rose remarkably by 7.3% because of the following: (1) the yen has stabilized at a relatively low level (between 130 to 135 yen to the dollar); (2) Japanese companies' countermeasures to the high yen have begun to take effect; (3) the demand for parts has been increasing in line with growing Japanese offshore production; and (4) the concept of high value-added products is being promoted and new markets are beginning to surface. Also noteworthy is that the increase in the export of high value-added products has resulted in the increase of overall export volume. Along with the recovery in export volume, the customs-cleared value of dollar-based exports is again increasing as a result of the rise in dollar-quoted export prices. Stagnant improvement in the reduction of the trade surplus. While the recovery of exports is a positive factor for economic growth, it also serves to counteract any reduction in Japan's trade surplus. The fall in crude oil prices has the same effect in slowing down improvements in the trade surplus. Since Japan imports 1.2 billion barrels of crude oil annually, a \$1.00 drop in the price of a barrel of crude oil reduces Japan's import payments by \$1.2 billion. Consequently, it is almost certain that further cutbacks in Japan's trade surplus will remain at a standstill. This, along with the slowing improvement in the U.S. trade deficit, will likely to push the yen upward and intensify trade frictions. Japan must continue its efforts to further expand domestic demand, promote the opening of its markets, and work towards increasing imports, particularly those of finished products.

Mannesmann group sales up by 30% By Our Financial Staff MANNESMANN, the diversified West German engineering group, said yesterday that nine-month group sales advanced 30 per cent to DM14.3bn (\$8.4bn) from DM11.02bn a year earlier. Mannesmann also said it expects a "sharp gain" in profit this year due to strong demand for steel pipe, new acquisitions and cost-cutting. In 1987 profits rose 25 per cent to DM13.8m on sales of DM16.68bn. Sales in the nine months were boosted by accounting for a large engineering project on the natural gas pipeline in Azerbaijan in the Soviet Union, as well as the consolidation of Fichtel & Sachs. In addition to higher profit at most divisions, Mannesmann announced it broke even at its pipe unit, which the company essentially wrote off last year after it lost about DM1bn in 1986 and 1987. Mannesmann also said the Demag, Rexroth and plant engineering units had higher profits on a 20 per cent gain in sales to DM5.4bn. CORRECTION NOTICE MANUFACTURERS HANNOVER TRUST COMPANY 275,000,000 Floating Rate Subordinated Capital Notes due 1994 In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the Interest Period 29th November 1988 to 29th February 1989 has been fixed at 12 1/2 per cent per annum. The Coupon Amounts will be \$1,000 for the \$5,000 denomination and \$1,061.71 for the \$50,000 denomination and will be payable on 29th February 1989 against surrender of Coupon No. 17. The Export-Import Bank of Korea U.S. \$50,000,000 Floating Rate Notes due 1994 In accordance with the provisions of the Notes notice is hereby given that for the six month Interest Period from 1st November, 1988 to 31st May, 1989 the Notes will carry an Interest Rate of 9 1/4% per annum. The Coupon amount payable on Notes of U.S. \$10,000 will be \$471.35 and U.S. \$100,000 will be \$4,713.54. Talk it over with DKB. The international bank that listens. DKB We have your interests at heart. DAIICHI KANGYO BANK Tokyo Japan The next DKB monthly report will appear Dec. 28.

Landesbank Stuttgart NOTICE to the holders of Landesbank Stuttgart Girozentrale London Branch AS 30,000,000 14 per cent. Notes due 1991 NOTICE IS HEREBY GIVEN to the holders (the "Noteholders") of the above-mentioned Notes (the "Notes") that, at the adjourned Meeting of the Noteholders convened by the Notice published in the Financial Times and the Luxembourgish Wort on 31st October, 1988 and held on 7th November, 1988 the Extraordinary Resolution set out in such Notice was duly passed. Issued by Landesbank Stuttgart Girozentrale, London Branch Dated 25th November, 1988. Landesbank Stuttgart NOTICE to the holders of Landesbank Stuttgart Girozentrale London Branch AS 35,000,000 14 per cent. Notes due 1991 NOTICE IS HEREBY GIVEN to the holders (the "Noteholders") of the above-mentioned Notes (the "Notes") that, at the adjourned Meeting of the Noteholders convened by the Notice published in the Financial Times and the Luxembourgish Wort on 31st October, 1988 and held on 7th November, 1988 the Extraordinary Resolution set out in such Notice was duly passed. Issued by Landesbank Stuttgart Girozentrale, London Branch Dated 25th November, 1988. Landesbank Stuttgart NOTICE to the holders of Landesbank Stuttgart Girozentrale London Branch AS 50,000,000 13 1/4 per cent. Notes due 1992 NOTICE IS HEREBY GIVEN to the holders (the "Noteholders") of the above-mentioned Notes (the "Notes") that, at the adjourned Meeting of the Noteholders convened by the Notice published in the Financial Times and the Luxembourgish Wort on 31st October, 1988 and held on 7th November, 1988 the Extraordinary Resolution set out in such Notice was duly passed. Issued by Landesbank Stuttgart Girozentrale, London Branch Dated 25th November, 1988. BADISCHE KOMMUNALE LANDESBANK GIZENTRALE NOTICE to the holders of Badische Kommunale Landesbank Girozentrale AS 50,000,000 14 1/4 per cent. Notes due 1991 NOTICE IS HEREBY GIVEN to the holders (the "Noteholders") of the above-mentioned Notes (the "Notes") that, at the adjourned Meeting of the Noteholders convened by the Notice published in the Financial Times and the Luxembourgish Wort on 31st October, 1988 and held on 11th November, 1988 the Extraordinary Resolution set out in such Notice was duly passed. Issued by Badische Kommunale Landesbank Girozentrale Dated 25th November, 1988. BADISCHE KOMMUNALE LANDESBANK GIZENTRALE NOTICE to the holders of Badische Kommunale Landesbank Girozentrale AS 30,000,000 14 1/4 per cent. Notes due 1992 NOTICE IS HEREBY GIVEN to the holders (the "Noteholders") of the above-mentioned Notes (the "Notes") that, at the adjourned Meeting of the Noteholders convened by the Notice published in the Financial Times and the Luxembourgish Wort on 31st October, 1988 and held on 11th November, 1988 the Extraordinary Resolution set out in such Notice was duly passed. Issued by Badische Kommunale Landesbank Girozentrale Dated 25th November, 1988.

INTERNATIONAL COMPANIES AND FINANCE

Sumitomo regains slot as top Japanese bank

By Ian Rodger in Tokyo

SUMITOMO BANK recaptured its position as Japan's most profitable commercial bank in convincing fashion in the six months to September 30, with net income more than doubling to ¥100.5bn (883.8m).

The bank's profit slide in the past two years was caused by its takeover of the near bankrupt Daiwa Sogo Bank in October, 1986. Last year, the chairman's impatience with the time it was taking to restore profitability led to the unexpected early retirement of Mr Koh Komatsu, then president.

Sumitomo Bank raised its profits before taxes and securities transactions to ¥149.7bn in the first half, up 86.3 per cent compared with the previous period and well ahead of second-ranked Fuji Bank.

Sumitomo's strong performance came in a period when all leading city banks enjoyed healthy profit gains, thanks to continued growth in lending at home and abroad. Many banks tried to increase the proportion of long-term loans to improve margins. Long-term loans to foreign governments boosted

Bank	Revenue		Profit		Net income				
	1988	1987	1988	1987	1988	1987			
Dai-ichi Kangyo	1,492,388	1,190,180	24.5	107,940	85,473	28.3	80,358	58,517	37.3
Sumitomo	1,484,210	1,161,046	26.1	149,888	80,354	25.2	100,525	47,006	114.5
Fuji	1,222,233	1,029,294	16.7	111,928	100,997	4.5	52,988	62,222	24.5
Mitsubishi	1,194,588	1,045,421	14.2	91,183	86,318	3.3	82,101	82,118	32.2
Saikai	1,185,504	825,548	28.5	101,725	81,130	25.4	80,263	59,301	59.5
Tokai	828,739	746,529	11.0	71,708	66,948	6.7	30,129	24,875	21.1
Mizuho	846,399	759,377	11.5	82,294	73,458	-15.2	33,619	30,241	12.2
Kobe	588,167	572,489	-0.8	35,152	35,721	-1.8	26,507	28,303	38.8
Daiwa	382,388	348,371	10.2	42,483	38,153	17.5	18,808	17,108	8.9
Kyowa	404,607	421,034	-3.9	27,122	27,004	6.4	19,311	17,824	7.7
Saitama	347,781	378,841	-8.2	21,620	21,053	-2.2	13,838	11,239	21.3
Hokkaido Tokai	306,828	302,896	1.4	13,443	7,481	-78.7	5,815	7,787	19.3
Tokai	880,843	888,258	-0.8	51,796	53,199	-2.6	31,451	23,198	36.5
TOTAL	10,878,581	9,455,748	15.1	888,883	741,880	18.8	608,789	432,879	40.9

*Before tax and security transactions

international earnings. However, most suffered big falls in profits from securities dealing.

Sumitomo, for example, said profits from domestic operations rose by about ¥44.4bn, despite a halving of its income from securities dealing to ¥10.2bn. Deposit and loan volumes both rose by

about 13 per cent and the bank achieved an improvement in its interest margin. Revenue from international operations rose 64 per cent to ¥72.5bn.

Fuji Bank, ranked second in terms of profits before taxes and securities trading, had only a small 4.5 per cent rise in profits at this level. However,

its pre-tax profits jumped 43.3 per cent, indicating a stronger performance on securities than many others. The bank said it expanded loans to individuals and small companies in the first half.

Dai-ichi Kangyo Bank (DKB), which remains the world's largest bank in terms

of revenues, said its sales of bonds declined, but interest on loans and profits from international operations increased steadily.

Mitsubishi Bank, whose profit growth rate was among the most modest in the first half, said its costs rose partly because of the introduction of a computer system.

Sanwa Bank said it increased its loans by 13.5 per cent in the first half. Taiyo Kobe, the Kobe-based bank, said it made more long-term loans in the first half in an effort to maintain profitability, but profits before tax and securities transactions fell 1.6 per cent.

Saitama Bank, whose profits at this level also dropped slightly, said its securities and international business divisions showed sluggishness, but lending operations expanded.

Bank of Tokyo, the foreign exchange specialist, enjoyed very strong growth in its first half before tax and securities transactions, but pre-tax profits grew only 10.1 per cent to ¥1.2bn.

Japanese credit banks buoyant

By Gordon Cramb in Tokyo

JAPAN'S three long-term credit banks, traditional suppliers of funds for industrial development, strengthened their profitability in the half-year to September as they found new activities to replace business lost in the gradual deregulation of Japanese banking.

They have recently entered sectors ranging from commercial paper underwriting to arranging cross-border mergers and acquisitions, while at the same time acting to strengthen their capital base in line with Cooke committee international standards.

Lines of demarcation between the three and the country's city or commercial banks have become increasingly blurred. City banks, still notationally restricted in their sources of funds to short-term deposits, have put the swaps market to use in enabling them to undertake longer lending where better margins can be found.

According to Long-Term Credit Bank of Japan, one main reason for its 14.3 per cent growth in first-half earnings, to ¥54bn (444.8m) before tax, remained a steady increase in profits resulting

from revenues in domestic long-term lending.

Industrial Bank of Japan, the sector leader, showed a 20.3 per cent pre-tax gain to ¥104.8bn. At Nippon Credit Bank, profits were up 17.1 per cent to ¥24bn.

Stripping out gains from securities dealings left combined banking profits of ¥147.5bn for the three institutions, up 18.6 per cent rise. The banks said another factor affecting performance was the progressive reduction of funding costs by replacing high-coupon five-year debentures with those carrying a lower rate.

Brierley 'still interested' in Bank of New Zealand

By Dai Hayward in Wellington

BRIERLEY INVESTMENTS, the New Zealand flagship of Mr Ron Brierley's international investment group, is still interested in buying the Bank of New Zealand.

Mr Brierley revealed to shareholders at the annual general meeting yesterday that his company, along with other potential bidders, is completing the "due diligence" process of examining the bank's assets and activities. Acquiring BNZ would have a "significant effect" on the whole group profile, he said.

Strengthening Brierley's strong position following the reorganisation of the company and the shedding of several assets and minority shareholdings after the stock market crash, Mr Brierley said the group was reducing its overall debt every month.

He said Brierley's position had improved since December 31 to a much greater extent than was reflected in the published accounts or visible in the annual report, and that the legacy of October 1987 would eventually leave the group stronger than ever.

In his annual report, Mr Brierley said there appeared to be a significant political will in Australia to drive the corporate sector to Third World status, with oppressive taxes and other regimentation.

He pointed to Brierley's "not infrequent disputes with the Australian authorities regarding shareholdings in various companies".

"It is instructive to ponder why these wrangles are so uniquely Australian, as the same problems do not arise in other countries - notwithstanding identical market forces."

Australia had made a "horrible mess" of corporate regulations, creating an enormously cumbersome system, he said.

Mr Brierley warned that New Zealand may be heading down the same path through its planned changes to company law. However, he gave an assurance that his company had no intention of abandoning New Zealand, in spite of some unwelcome changes to the tax regime.

Despite recent sales of New Zealand assets, Brierley had a bigger operating base in New Zealand than at this time last year. He said of assets was an effort to streamline the company's structure.

Brierley has 196,000 shareholders, more than twice as many as any other New Zealand company and more than most Australian companies. Mr Brierley shareholder owns more than 5 per cent of the capital.

Bond selling Hong Kong TV stake

By John Elliott in Hong Kong

MR ALAN BOND, the Australian entrepreneur, yesterday took the Hong Kong stock market by surprise when it was announced that he was at an advanced stage in negotiations to sell his 30.8 per cent stake in the colony's HK-TVB and newly-listed TVB television companies.

Several leading Hong Kong companies were rumored by brokers as possible buyers. These include Hysan Development, China Entertainment and Land Investment, the family empire of Sir Run Run Shaw, and the Singapore-based

Kooh family, which has a stake in the colony's Shangri-La Hotel.

The move comes at a time when Mr Bond is trying to buy back the quoted minority shares in Bond Corporation International, which is quoted in Hong Kong. It will raise questions about the offer of HK\$2.30 (28 US cents) made late last month by Mr Bond, because BCI's main assets are the holdings in HK-TVB and TVB now under negotiation, plus 50 per cent of the prestigious Bond Centre development in central Hong Kong.

HK-TVB, which is controlled by Sir Run Run Shaw, operates Hong Kong's leading television station. To meet new broadcasting rules, the group is being restructured into two separately listed companies, one operating the television network and the other running diversified businesses.

There was speculation last night that Mr Bond was unhappy with his role as a minority shareholder in HK-TVB and the new TVB companies. Share dealings in BCI, HK-TVB and TVB were all suspended yesterday morning.

Deutsche Stadt- und Landesbank Berlin

DM 100,000,000

Floating Rate Notes
Schuldverschreibungen - Serie 225 - 1987/1987

For the three months 25th Nov. 1988 to 24th Febr. 1989 the notes will carry an interest rate of 4.85% (Floor less 0.10%) per annum with a coupon amount of DM 60.63 per DM 5,000. - notes. The relevant interest payment date will be 27th Febr. 1989.

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of which U.S. \$181,500,000 is being issued in the initial tranche
Notice is hereby given that the interest payable on the Interest Payment Date, December 22, 1988, for the period June 22, 1988, to December 22, 1988, against Coupon No. 7 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$439.08 and in respect of U.S.\$250,000 nominal of the Notes will be U.S.\$1,077.00.

November 25, 1988, London
By: Citibank, N.A. (CSI Dept), Agent Bank **CITIBANK**

Fish'n'Figg

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Glenlivet Luxury Foods, in association with Champagne Laurent-Perrier have produced exclusively for FT Readers a special "Pink Gift Pack" for Christmas - One pound of prime smoked Scottish Salmon slices plus a bottle of FT Centenary labelled Pink Champagne, at a price that won't put you in the pink - £38.70 inclusive of VAT packed and posted in an exclusively designed postal pack on your behalf to any UK mainland address. Orders for Christmas delivery must be received by Tuesday 6th December 1988.

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Landesbank Schleswig-Holstein Girozentrale

NOTICE

to the holders (the "Noteholders") of the A\$30,000,000 12 1/4% Notes due 1989 (the "Notes") of Landesbank Schleswig-Holstein Girozentrale (the "Bank") issued subject to and with the benefit of a Fiscal Agency Agreement dated 15th May, 1988 and a Supplemental Fiscal Agency Agreement dated 4th November, 1988, (together the "Fiscal Agency Agreement") made between the Bank, Orion Royal Bank Limited, The Royal Bank of Canada A.G., The Royal Bank of Canada (France) S.A., The Royal Bank of Canada (Belgium) S.A. and The Royal Bank of Canada (Suisse) (the "Agents").

SUBSTITUTION OF PRINCIPAL DEBTOR

Notice is hereby given to the Noteholders that, pursuant to Condition 13 of the Notes, with effect on and from 12th December, 1988:-

(1) LB SCHLESWIG-HOLSTEIN FINANCE B.V. (the "Substituted Debtor"), incorporated in the Netherlands and established in Amsterdam, will, pursuant to the provisions of a Deed of Assumption in favour of the Noteholders and the holders (the "Couponholders") of the coupons appertaining thereto (the "Coupons") and a Second Supplemental Fiscal Agency Agreement (the "Second Supplemental Fiscal Agency Agreement"), both to be dated 12th December, 1988 and to be made between the Bank, the Substituted Debtor and the Agents, be substituted in place of the Bank as the debtor in respect of the Notes and the Coupons and under the Fiscal Agency Agreement; and

(2) the Bank will irrevocably and unconditionally guarantee the obligations of the Substituted Debtor arising from, or in connection with the Notes and the Coupons.

No new definitive Notes or Coupons will be issued and the existing definitive Notes and Coupons will not be over-stamped or otherwise physically modified in any way. The Notes will, with effect from 12th December, 1988, be listed on the Luxembourg Stock Exchange under the name of the Bank followed by the name of the Substituted Debtor.

A notice containing information regarding the Substituted Debtor and a copy of the Articles of Incorporation of the Substituted Debtor have been lodged with the Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg, where the same may be inspected and copies obtained.

Any Noteholder who wishes to inspect copies of the Fiscal Agency Agreement or drafts (or, following such substitution, copies) of the Second Supplemental Fiscal Agency Agreement, the Deed of Assumption or the Guarantee mentioned above may do so at the specified offices of the Fiscal Agent and Paying Agents listed below:-

FISCAL AGENT AND PRINCIPAL PAYING AGENT

Orion Royal Bank Limited,
71 Queen Victoria Street,
London EC4V 4DE

PAYING AGENTS

The Royal Bank of Canada A.G.,
Guttenstrasse 85,
6000 Frankfurt/Main 1

The Royal Bank of Canada (France) S.A.,
3, rue Scribe,
75440 Paris

The Royal Bank of Canada (Belgium) S.A.,
rue de Ligne 1,
B-1000 Brussels

Banque Internationale à Luxembourg S.A.,
2 Boulevard Royal,
L-2953 Luxembourg

The Royal Bank of Canada (Suisse),
rue Diderot 8,
1204 Geneva

Landesbank Schleswig-Holstein Girozentrale
DATED 25th NOVEMBER, 1988

Landesbank Schleswig-Holstein Girozentrale

NOTICE

to the holders (the "Noteholders") of the A\$50,000,000 13 1/2% per cent. Notes due 1990 (the "Notes") of Landesbank Schleswig-Holstein Girozentrale (the "Bank") issued subject to and with the benefit of a Fiscal Agency Agreement dated 11th September, 1987, and a Supplemental Fiscal Agency Agreement dated 4th November, 1988, (together the "Fiscal Agency Agreement") made between the Bank, Kredietbank S.A., Luxembourg, Kredietbank N.V. and ANZ Merchant Bank Limited (the "Agents").

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FISCAL AGENT AND PRINCIPAL PAYING AGENT

Kredietbank S.A. Luxembourg, 43 Boulevard Royal, L-2955 Luxembourg

PAYING AGENTS

Kredietbank N.V., Arenbergstraat 7, B-1000 Brussels

ANZ Merchant Bank Limited, 65 Holborn Viaduct, London EC1A 2EU

Landesbank Schleswig-Holstein Girozentrale
DATED 25th NOVEMBER, 1988

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Landesbank Schleswig-Holstein Girozentrale

NOTICE

to the holders (the "Noteholders") of the A\$30,000,000 14 1/4% Notes due 1991 (the "Notes") of Landesbank Schleswig-Holstein Girozentrale (the "Bank") issued subject to and with the benefit of a Fiscal Agency Agreement dated 3rd February, 1986 and a Supplemental Fiscal Agency Agreement dated 4th November, 1988, (together the "Fiscal Agency Agreement") made between the Bank, Orion Royal Bank Limited, The Royal Bank of Canada A.G., The Royal Bank of Canada (France) S.A., The Royal Bank of Canada (Belgium) S.A. and The Royal Bank of Canada (Suisse) (the "Agents").

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(2) the Bank will irrevocably and unconditionally guarantee the obligations of the Substituted Debtor arising from, or in connection with the Notes and the Coupons.

No new definitive Notes or Coupons will be issued and the existing definitive Notes and Coupons will not be over-stamped or otherwise physically modified in any way. The Notes will, with effect from 12th December, 1988, be listed on the Luxembourg Stock Exchange under the name of the Bank followed by the name of the Substituted Debtor.

A notice containing information regarding the Substituted Debtor and a copy of the Articles of Incorporation of the Substituted Debtor have been lodged with the Greffier en Chef du Tribunal d'Arrondissement de et à Luxembourg, where the same may be inspected and copies obtained.

Any Noteholder who wishes to inspect copies of the Fiscal Agency Agreement or drafts (or, following such substitution, copies) of the Second Supplemental Fiscal Agency Agreement, the Deed of Assumption or the Guarantee mentioned above may do so at the specified offices of the Fiscal Agent and Paying Agents listed below:-

FISCAL AGENT AND PRINCIPAL PAYING AGENT

Orion Royal Bank Limited,
71 Queen Victoria Street,
London EC4V 4DE

PAYING AGENTS

The Royal Bank of Canada A.G.,
Guttenstrasse 85,
6000 Frankfurt/Main 1

The Royal Bank of Canada (France) S.A.,
3, rue Scribe,
75440 Paris

The Royal Bank of Canada (Belgium) S.A.,
rue de Ligne 1,
B-1000 Brussels

Banque Internationale à Luxembourg S.A.,
2 Boulevard Royal,
L-2953 Luxembourg

The Royal Bank of Canada (Suisse),
rue Diderot 8,
1204 Geneva

Landesbank Schleswig-Holstein Girozentrale
DATED 25th NOVEMBER, 1988

All of these shares having been sold, this announcement appears as a matter of record only



365,123,835 Ordinary Shares

offered by MONTEISON S.p.A. to its shareholders

Lit. 978,531,877,800

MEDIOBANCA Global Co-ordinator

Banca Commerciale Italiana Credito Italiano Banco di Roma Mediobanca

Crediop CL - Alexanders Laing & Cruickshank Daiwa Europe Limited Kidder, Peabody International Limited Morgan Stanley International Prudential - Bache Securities Istituto Bancario San Paolo di Torino

CARIPLO - Cassa di Risparmio delle Province Lombarde Banca C.R.T. - Cassa di Risparmio di Torino Banque Nationale de Paris Bayerische Vereinsbank Aktiengesellschaft Centrobanca Commerzbank Aktiengesellschaft Societe Generale Banca Nazionale dell'Agricoltura

Generale Bank Banca Popolare Commercio e Industria Soc. Coop. a r.l. Banca Popolare di Milano Banco di Napoli Banco di Sicilia Credito Bergamasco Credito Romagnolo Credito Varesino S.p.A. Dresdner Bank Aktiengesellschaft County NatWest Limited Agromobiliare S.p.A. Gaic S.p.A. Sviluppo Finanziaria S.p.A.

Banca Nazionale del Lavoro Algemene Bank Nederland N.V. Banca Cattolica del Veneto Banca Credito Agrario Bresciano S.p.A. Banca San Paolo di Brescia S.p.A. Banco di Santo Spirito Monte dei Paschi di Siena Nuovo Banco Ambrosiano S.p.A. FIDIS - Finanziaria di Sviluppo S.p.A. Finanziaria Indosuez S.p.A. Gemina S.p.A. Eptaconors S.p.A. Akros S.p.A. Banca Antoniana di Padova e Trieste Banca Piccolo Credito Valtellinese Banca Toscana S.p.A. Banca Popolare di Bergamo Banca Popolare di Novara Banca Popolare di Pordenone Cassa di Risparmio di Piacenza e Vigevano Rastin S.p.A. Murray Johnstone Limited Pasfin Servizi Finanziari S.p.A. Credito Commerciale Credito Lombardo Interbanca

October 1988

All of these warrants having been sold, this announcement appears as a matter of record only

65,000,000 Warrants

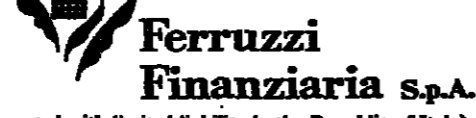
issued and offered by

SOCIETA PER AMMINISTRAZIONI FIDUCIARIE

"SPAFID" S.p.A.

(wholly-owned subsidiary of Mediobanca)

entitling their holders to purchase



(incorporated with limited liability in the Republic of Italy)

65,000,000 Ordinary Shares

held by Serafino Ferruzzi S.r.l.

Offer Price Lit. 500 per Warrant

MEDIOBANCA Global Co-ordinator

Banca Commerciale Italiana Credito Italiano Banco di Roma Mediobanca

Crediop Istituto Bancario San Paolo di Torino CL - Alexanders Laing & Cruickshank Kidder, Peabody International Limited Morgan Stanley International Prudential - Bache Securities Daiwa Europe Limited

FINCOMIT has advised Serafino Ferruzzi S.r.l. in this transaction

October 1988

Notice of Resignation and Appointment Tokai Bank Nederland N.V. U.S. \$100,000,000 7 1/2% Guaranteed Notes Due 1991 Unconditionally Guaranteed by The Tokai Bank, Limited

First Republic Bank U.S. \$150,000,000 Floating Rate Subordinated Notes due 1997 For the three months 23rd November, 1988 to 23rd February, 1989

INTERNATIONAL CAPITAL MARKETS

Interfinance Credit deal well received on quiet day

By Dominique Jackson

THE US Thanksgiving Holiday made for an extremely quiet day in the Eurobond market with few new issues emerging and most dealers reluctant to take positions with the US markets closed and another quiet day in prospect today ahead of the weekend.

One of the day's most successful issues appeared to be the FTIBON deal for Interfinance Credit National led by Credit Commercial de France which will be fungible with two previous issues for the same borrower made earlier this year, taking the total to FF10bn. This may signify a large amount for the Eurobond market as a whole but marks a significant step towards greater liquidity in the Euro-French franc sector where paper of a similar top quality is in extremely short supply. The lead manager said syndication of yesterday's deal was swiftly completed and the issue was well bid within its total fee levels.

The day's other new deal was in the Australian dollar sector, a A\$75m deal for a unit of Dresdner Bank led by the parent. The issue was for Singapore-based Dresdner South East Asia, and is the first issue since the Singapore Ministry of Finance amended the tax regime to exempt withholding tax on interest derived from bonds.

Sector specialists considered the pricing reasonable for an issue from the guaranteeing bank which is acknowledged to be an excellent name for this sector. They added that the lead manager will probably count on placing most of the issue itself. It was bid within fees by the end of the day.

Several other Australian dollar issues are reported to be in the pipeline as swap opportunities currently look feasible. Analysts said the recent hike in the Australian re-discount rate had led to a flattening of the yield curve which seems set to continue. The recent rise in rates has also made coupons at the shorter end of the market look extremely hot for retail investors. However, many dealers mentioned that the approach of Christmas could now start to seriously slow placement in sectors such as the Australian dollar market which is so dependent on retail accounts.

This will probably also apply to the Canadian dollar sector which was quiet yesterday as houses continued to try and place the recent rush of new paper. Although the let-up in issuance of Euro-Canadian dollar deals ahead of the recent federal election has certainly cleared the decks for some new issues, the deals which have emerged so far have failed to attract the imagination of most investors who are waiting for a more attractively-rated borrower to tap the sector.

Among issues launched earlier this week, the Australian Wheat Board dollar straight deal appeared to be holding up well in quiet market conditions. The margin over comparable Treasury securities remained steady at around 45 basis points, which compared with the initial spread at launch of 48 basis points.

Wednesday's Eurostarling issue for Lloyds Bank slipped yesterday to trade just outside fees as the gilt market drifted lower in subdued business. Some dealers said the serial amortisation on the deal had not proved popular with UK investors, adding that 10 year subordinated bank paper was not likely to meet over-enthusiastic demand in current restrictive conditions on the sterling-denominated bond market. Others also questioned the sterling placement power of the lead manager. Nevertheless, others conceded that Merrill Lynch appears to be forging a significant relationship with the UK cleavers as a US house, having led variable rate note issues for Lloyds and National Westminster among others.

In Switzerland, customer time deposits were increased yesterday. The 3-12 months, which were 3% per cent, were increased, with 3-6 months now up to 3 1/2% per cent. This mirrors the inverse yield curve which has been seen in Swiss Euro-deposit rates for several days.

INTERNATIONAL BONDS

rate had led to a flattening of the yield curve which seems set to continue. The recent rise in rates has also made coupons at the shorter end of the market look extremely hot for retail investors. However, many dealers mentioned that the approach of Christmas could now start to seriously slow placement in sectors such as the Australian dollar market which is so dependent on retail accounts.

Table with columns: Borrower, Amount, Coupon %, Price, Maturity, Fees, Book runner. Includes entries for Australian Dollars, French Francs, Yen, and Escudos.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Large table with columns: US Dollar, Yen, Swiss Franc, Deutsche Mark, Flating Rate, Convertible. Lists various international bonds with their respective details.

EIB makes \$34m bond issue in Portugal

By Peter Wise in Lisbon

THE EUROPEAN INVESTMENT Bank introduced an international dimension to the Portuguese bond market yesterday with a launch that marks a double debut: the first bond issue in Portugal by a foreign institution and the bank's first venture in escudo borrowing.

Investment Strategists said the nine-year Es5bn (\$34m) issue was assured of success, bringing much needed liquidity and security to the somewhat idiosyncratic and unexplored Portuguese market. One of Portugal's young private investment banks, Banco Portugues de Investimentos, will be the lead manager, seconded by the investment society, MDM-Sociedade de Investimentos.

Deutschebank in Luxembourg provides the international dimension to the issue, acting as a special intermediary agent with the aim of creating a foreign market for the bonds and co-operating with BPI to provide synchronous settlement of transactions in Portugal and other countries. Deutschebank in Frankfurt will act as the paying agent abroad.

The rate of interest for the first three years of the issue is 13.5 per cent, equal to government debt paper and corresponding to an investors' yield of 12.96 per cent a year. The EIB will set new coupons for the two subsequent three-year periods, allowing investors a put-option at each fixing. The bonds have a nominal value of Es1,000 and will be issued in lots of 10, 50 and 1,000.

The EIB has pumped more than Es165bn into Portugal in low-interest loans since the country joined the European Community in 1986 and the bank has reacted to the government's policy of raising matching funds in the same currency as its loans.

Mr. Arnaldo Orbananos, the EIB's vice president, said the decision to raise escudos to finance lending activities in Portugal only three years after the country entered the EC compared, for example, with 13 years in the case of Denmark - indicated the growing momentum of the bank's activity in the fast-growing Portuguese economy.

The Portuguese bond market, dominated by public debt issues, holds the upper hand over the equity market that was closed down after the 1974 revolution and severely rocked by last year's crash. However, it suffers from perennial liquidity problems and analysts warn that issues are underwritten for some very shaky companies by banks that have not looked behind the assets figures for hidden pitfalls.

S&P downgrades three leading Norwegian banks

By Karen Fossil in Oslo

DETERIORATING conditions in Norway's financial climate caused by widespread problems with the country's economy have prompted Standard & Poor's Corporation, the US-based credit rating agency, to downgrade the debt ratings of three leading Norwegian banks: Den Norske Kreditbank (DNK), Christiania Bank, and Bergen Bank. Norway's leading banks.

S&P is also reviewing the long-term debt rating of Exportfinans, the export financing and credit institution of Norway's commercial banks. For the second year running, Norway's banks are experiencing historic loan losses spread over a wide range of domestic credits. S&P said that would limit the banks' potential to improve profitability in the medium-term.

DNK, once Norway's largest bank, has been hit the hardest and is facing asset quality problems. S&P lowered the bank's Eurocommercial paper and certificates of deposit ratings, and the US commercial paper ratings of its US affiliate from A-2 to A-3. The agency acknowledges the cost-cutting aims of the bank but says there are uncertainties about their success. The Eurocommercial paper and certificates of deposit ratings of Christiania were lowered from A-1 to A-2. Its US affiliate also had its US commercial paper ratings lowered to A-2. Rapid growth has led to asset quality problems, affecting profitability and equity levels, which are low by international standards. Christiania's medium-term outlook is seen by S&P as being more favourable than the other two banks, and for the first eight months Christiania lifted its operating profit to Nkr879m from Nkr722m last year. Bergen Bank's and its US affiliate's debt rating was downgraded to A-2. Last month the bank estimated that its losses on loans and guarantees would reach Nkr1.1bn, twice the level of last year's losses.

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UK COMPANY NEWS

Bond defends purchase of Lonrho stake in US

By Ray Bashford

MR ALAN Bond, Australian businessman, yesterday defended the purchase of a large part of his company's 21.5 per cent holding in Lonrho, the international conglomerate, through the New York arm of London stock broker Smith New Court.

Mr Bond said in Perth that he had acted legally and complied with all UK disclosure regulations in purchasing the 9 per cent stake and settlement for the deal would be made on December 1.

The transaction is believed to have taken place on or around October 18, with a New York merchant bank acting as middle man between Smith New Court and Bond Corporation.

Mr Bond made the comment in reply to a report on BBC television news on Wednesday about the purchase of the 48m shares.

The television report came amid growing speculation that Bond Corporation might be

preparing to make a bid for Lonrho on the back of its holding and accompanied growing animosity within both camps.

Mr Paul Spicer, a Lonrho director, said Mr Bond had exploited a "loop hole" by purchasing the shares in New York and did not doubt the legality of the transaction.

"It is interesting because he (Mr Bond) could not have done this in Great Britain. But being done in New York he appears to have got through a loop hole," Mr Spicer said.

A spokesman for Smith New Court said the transaction was done in the normal course of business. "It was a large trade, but we have done larger. It was the sort of thing we have done for many years and we would consider it a normal part of business for our New York office," he said.

The Securities Association, the London Stock Exchange's self-regulatory group, denied that it had made more than routine checks on the transac-

tion. A spokeswoman said the association had been kept fully informed and Smith New Court had fulfilled all reporting requirements.

"We have been monitoring the capital position of Smith New Court in a routine fashion and are fully aware of the situation and don't see any problems," the spokeswoman said.

Lord Young, Secretary of State for Trade and Industry, is deliberating on whether a government-commissioned report into events surrounding the \$615m takeover of the House of Fraser by the Al Fayed brothers should be referred to the Monopolies and Mergers Commission.

The DTI refused to comment yesterday on when Lord Young would reach a decision on a referral. On Tuesday, he received a recommendation from Sir Gordon Borrie, Director General of Fair Trading, although details have not been made public.

Juicy expansion for RHM

By Nikki Tait

RANKS HOVIS McDougall, British bakeries and food group, yesterday announced that it was buying the fruit juice business of Adams Foods for £10.5m cash.

This is the first acquisition made by RHM since the recent announcement of the highly-innovative accounting change, by which it will take a value for its brands into its 1988 balance sheet.

RHM yesterday said that it did not yet know what the "brand valuation" on the new fruit juice businesses would be - they take in the Just Juice brand name - but expected that the purchase price would still include some goodwill.

The fruit juice businesses are based at Leek, Staffordshire, and are estimated to make pre-tax profits of about £1m in the year to end-1988. RHM said the deal will make it the second largest juice producer in the UK. It already takes in the De L'Or brand, plus private label products.

Ridley gives green light to water tie-ups

By Andrew Hill

MR NICHOLAS Ridley, the Environment Secretary, yesterday said that after privatisation the 10 water authorities would be allowed to bid for the 29 statutory water companies which work alongside them.

Launching the bill to privatise the authorities, Mr Ridley said buying and selling of companies was a feature of the privatised sector. The only factors limiting investment by or in the privatised authorities would be monopoly and competition considerations, or any investment restrictions imposed by the Government.

However, he stressed that the Government had not yet

decided whether to retain a "golden share" or to deter foreign investment in the privatised groups by limiting shareholdings. A recent flurry of bids from French water suppliers has prompted concern in some quarters about possible foreign investment in the authorities after privatisation.

The Water Companies Association, which represents the 29 quoted water companies, said it was not unduly concerned about French involvement, although it is challenging the legality of existing water authority investments in the companies.

Provisions for water compa-

nies in the Bill were broadly in line with its expectations, it added.

The Bill, which should allow for flotation of the authorities within about 12 months, proposes to:

- remove the constitutional link between the authorities and the companies, which supply water on behalf of the public groups;
- allow statutory companies to convert to plc status with the stockholders' approval, at the same time as the authorities are privatised;
- license the companies, like the authorities, to supply water in a defined area;

● impose the same regulatory framework on the companies. The Bill states that holders of more than 75 per cent of a statutory company's stock would have to approve conversion to plc status. Opposing stockholders who could muster 15 per cent would be able to appeal to the High Court against conversion.

One effect of the shake-up in the industry would be to allow the water companies - freed of statutes which control dividends and the distribution of surpluses to stockholders - to expand into activities outside water supply including sewerage and sewage disposal.

Eastbourne does not rule out agreed offer

Eastbourne Waterworks Company, one of the UK's 29 statutory water companies, said yesterday it would not rule out the possibility of an agreed offer from any of the major players in the turbulent private water sector, writes Andrew Hill.

However, Eastbourne said it had not received a bid

approach from SAUR Water Services, a UK subsidiary of Bouygues, the French construction and service group. SAUR launched recommended offers for three water companies, including Eastbourne's neighbours Mid-Sussex and West Kent, on Wednesday.

Mr Geoffrey Hoskins, Eastbourne's managing director, said: "We wouldn't shut the door in the face of any deal we thought would be beneficial to our customers and stockholders."

A link with Eastbourne

would be a logical next step for SAUR, given that it is close to SAUR's other targets and Southern Water Authority holds a 29.8 per cent stake in the company.

In bidding for Mid-Sussex and West Kent, in which Southern also holds substantial stakes, SAUR has partly gambled on the possibility that the courts - which are set to review Southern's controversial stake-building - will force the authority to sell its shares, or that Mr Duncan Saville, an Australian businessman who

also holds stakes in the three companies will be persuaded to sell his shares.

General Utilities, the UK subsidiary of French water supplier Compagnie Generale des Eaux, has declared its recommended offer for North Surrey Water Company unconditional. Stock representing about 53 per cent of North Surrey's voting capital has been committed to General Utilities' £15.6m offer, which will lapse if it is referred to the Monopolies and Mergers Commission before next Tuesday.

Court finds in B&C's favour over Quadrex deal

By Raymond Hughes, Law Courts Correspondent

BRITISH & COMMONWEALTH Holdings has been awarded immediate judgment on its claim for around £100m damages over the breakdown early this year of its proposed sale of two money-brokerage businesses to Quadrex Holdings, a New York company, for £280m.

Yesterday in the High Court, Mr Justice Hirst ruled that B&C was entitled to summary judgment, without the dispute going to full trial, because Quadrex had no arguable defence to B&C's claim for breach of contract.

The amount of damages Quadrex will have to pay under the judgment, will be assessed later.

The matter had been heard by the judge in private but he gave his judgment in open court "since the outcome of the case may affect the market value of public companies, and since the issues at stake are of importance."

The core of the judge's decision was his finding that time

had been of the essence of the sale contract, that Quadrex had been given reasonable time to complete the contract, and that it had failed to do so. Quadrex may appeal.

The proposed sale was of M W Marshalls, the world's largest money-broker, and William Street Holdings, US government securities broker.

In September, Quadrex, US parent of a London securities firm headed by Mr Gary Klesch, announced that it was buying Marshall and William Street and their top executives alleging that they had been "instrumental in obstructing or frustrating" Quadrex's acquisition of the two companies from B&C.

Mr Justice Hirst said that in July last year B&C made an agreed offer to buy Mercantile House Holdings, announcing its intention to sell Mercantile's wholesale broking division - consisting of Marshall and William Street.

In August, 1987, Quadrex announced it would make a bid

for Mercantile but withdrew when B&C and Mercantile announced an agreed revised offer.

There followed "hectic, non-stop negotiations" resulting in an agreement for Quadrex to buy Marshall and William Street from B&C.

The dispute, the judge said, centred on "Quadrex's undoubted inability to complete the agreement" due to the refusal of Citibank to fulfil its commitment to Quadrex to fund the purchase, on the ground that Quadrex had failed to comply with all the conditions of the loan agreement.

One of the conditions required the co-operation of Marshall's directors, which they refused.

The judge said that Quadrex's evidence suggested that Mr Michael Knowles, Marshall chairman, and other directors of Marshall and of William Street, were being "deliberately and unjustifiably obstructive and self-serving in order to

frustrate Quadrex and pave the way for a management buy-out to their own benefit."

That matter was the subject of pending legal proceedings between those directors and Quadrex, the judge said.

He added that although no fixed completion date had been put in the contract, the inclusion of the words "as soon as reasonably practicable" with reference to obligations to be performed under it, pointed strongly to time being of the essence.

That view was reinforced by the fact that the sale was of a business in the financial services sector "of a kind which is prone to rapid and significant fluctuations of activity, profitability and value."

Quadrex contended that B&C's notice to complete on February 22 this year, given on January 25, had been unreasonable because B&C had known that Quadrex was unable to get the finance from Citibank because of Marshall's refusal to sign statutory decla-

rations Citibank required as a condition of the loan.

B&C argued that the method Quadrex chose to finance the purchase had been entirely its own responsibility. Quadrex had entered into the agreement without having first secured the backing of any binding financial arrangements to fund the purchase.

That argument, the judge said, was unavailing. It was a fundamental principle that it was for the buyer to arrange his finance so as to be able to fulfil the contract. If the arrangements he chose to make proved inadequate for that purpose he would be in breach of contract and must bear the responsibility for the breach, whether or not his difficulties were known to the vendor.

"Any other rule would result in commercial chaos, particularly in a world where nowadays purchases of businesses, frequently on a very large scale, are regularly financed by bank borrowings."

DEFENCE

The Financial Times proposes to publish a Survey on the above on

12th December 1988

For a full editorial synopsis and advertisement details, please contact:

Stephen Dunbar-Johnson

on 01-248-8000 ext 4148 or write to him at:

Bracken House, 10 Cannon Street London EC4P 4BY.

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER



STRONG GROWTH IN EARNINGS PER SHARE

INTERIM RESULTS

Group Profit and Loss Account for the half year ended 30th September 1988 (unaudited)

1987 published £m		1988 £m	1987 comparable £m	% Increase
1,305.7	TURNOVER (excluding VAT)	1,262.4	1,188.4	+ 5.3
120.1 (38.6)	PROFIT BEFORE TAXATION	132.4 (41.9)	110.5 (36.4)	+ 19.8
81.5 (5)	Profit after taxation	90.5 (4)	74.1 (4)	+ 22.1
81.0 (5)	Minority interests	(4)	(4)	
87.0 (28.6)	Extraordinary profit after taxation	90.1 (32.4)	73.7 (28.6)	+ 16.4
58.4	Profit attributable to shareholders	92.8 (32.4)	79.7 (28.6)	
8.8p	Dividends	90.4	51.1	
	Profit retained	90.4	51.1	
	Earnings per share	9.8p	8.0p	+ 22.5

1988		1987 (comparable)	
Turnover £m	Profit £m	Turnover £m	Profit £m
1,068.5	50.7	262.8	57.8
66.0	66.0	1,004.4	43.0
7.4	7.4	5.8	5.8
(61.4)	(61.4)	(88.8)	(88.8)
8.3	8.3	3.9	3.9
1,262.4	132.4	1,188.4	110.5

- Industrial division underlying growth 6.6% in sales and 4.2% in profits.
- Synthroid, in US company, growth in value and units, but price competition depressed sales of ibuprofen.
- Sales and profit growth in overseas countries.
- Research and development expenditure continues to increase, particularly on Manoplex clinical trials.
- Retail division underlying profit improvement 38.4%.
- Boots The Chemists sales rise of 6% including 3.7% real growth.
- Improvements in operating efficiency, use of space, increased margins and better inventory mix.
- Boots Opticians sales rise of 27.7%. Profits increase of 72.7%.
- Childrens World in line with expectations with 13 stores now open.
- Prospects for the remainder of the year encouraging.



THE BOOTS COMPANY PLC

These do not constitute 'full accounts' within the meaning of the Companies Act 1985. The half year report will be posted to shareholders on 29th November 1988.

UK COMPANY NEWS

Guinness Mahon bounces to £4.9m

By David Lascelles, Banking Editor

GUINNESS MAHON Holdings, banking and financial services group emerged from the Guinness Past Group with effect from June 30, achieved post-tax profits of £4.9m for the year to September 30 1988.

This compared with a loss of £3.49m in the previous year when it formed part of GFG. The result included an extraordinary cost of £300,000 related to the demerger. The company announced a maiden dividend of 1.2p.

Mr Geoffrey Bell, chairman, said the group had undergone substantial reorganisation, including a 12 per cent reduction in staff. But he said it had

increased profitability in a difficult trading environment, and had created the base for continued growth.

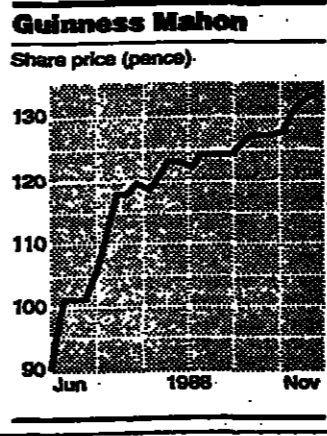
The bulk of profits, £3m, was earned on the banking side, where Guinness Mahon engages in advisory work, lending and treasury operations. The operation has reorganised its strategy and redeployed its capital more effectively. New computer systems have also been installed.

Non-banking operations made £2.2m, of which £2m came from securities trading and £200,000 from asset management. Henderson Crustition in staff. But he said it had

ary which lost about £1m last year, contributed to the result.

Mr Bell said he was "most proud" of the fact that the group had not lost any staff at director level despite the upheavals it had undergone this year and the uncertainties surrounding Equiticorp of New Zealand, its main shareholder with 61.7 per cent of the equity.

Mr Bell said that despite frequent market rumours, Equiticorp had not asked him to recommend a buyer for its stake. "I don't think they are in any rush to sell. They realise they have a very valuable asset here," he said.



Dawsongroup for main market with £55m value

By Philip Coggan

MR. PETER DAWSON and family trusts will raise around £11.5m from the flotation of Dawsongroup, truck rental and contract hire company, on the main market.

The Dawson family will receive the vast bulk of the proceeds from the placing which will value the group at £54.7m. After the float, Mr Dawson, chairman and chief executive, will own around 75 per cent of the equity.

The Dawson family has been involved with trucks since 1985 when Mr Dawson's father founded a road haulage business. The road haulage division was sold in 1982 and the company has concentrated on truck rental, sale and hire. It is now the largest UK distributor of Volvo trucks.

Profits have grown strongly and steadily in recent years from £1.06m in 1983 to £3.92m last year on turnover of £35.8m. For 1988, pre-tax profits are forecast at not less than £5.9m.

The group has three divisions - Dawsontrucks, rental and contract hire business; Dawsontrucks Commercial, truck sales and servicing business; and Dawsoncar, Renault car and light commercial vehicle sale business.

Intracorp trading, which primarily consists of sales of trucks to the rentals division by the Commercial division, has increased substantially in the last two years. Such trading was responsible for around three-quarters of the Commercial division's increase in turnover last year.

In the first half of this year, intracorp trading produced more than 100 per cent of the Commercial division's turnover increase, since sales to outside parties fell. However, Dawsongroup said the downturn was caused by a shortage of vehicles in the first two months of the year and by industrial stoppages in Sweden and Scandinavia.

The company is confident that sales to outside customers will increase in the second half. Sales between the Commercial division and the rentals division are conducted on an arms length basis.

James Capel is placing 4.88m shares, 25 per cent of the equity, at 155p each. The prospective p/e will be 11.6 at the placing price.

GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	div (p)	%	P/E
270	185	Asst. Brit. Ind. Ordinary	270	+4	10.3	3.8	7.3
270	186	Asst. Brit. Ind. Cals	270	+4	10.0	3.7	-
42	25	Armitage and Rhodes	39	-1	-	-	-
57	35	BBB Design Group (USM)	37	0	2.3	5.5	5.9
173	156	Bardon Group	173	0	2.7	1.6	29.6
116	100	Bardon Group Conv. Pref.	116	0	6.7	5.8	-
248	103	Bray Technologies	105	+2	5.2	5.0	8.4
154	129	Carbo Pils (SD)	132	0	11.0	10.0	-
114	100	Carve 7.5% Pref. (SD)	110	0	-	-	-
286	246	CCZ Group Ordinary	286	-2	12.3	4.3	4.3
170	124	CCZ Group 11% Conv. Pref.	170	0	14.7	8.6	-
154	129	Carbo Pils (SD)	132	0	11.0	10.0	-
114	100	Carve 7.5% Pref. (SD)	110	0	-	-	-
353	147	George Blair	353	0	12.0	3.4	7.8
118	60	Ibs Group	118	0	3.3	2.9	15.5
118	67	Jackson Group NV (USM)	118	0	-	-	-
287	245	MultiHouse NV (USM)	275	0	-	-	-
117	40	Robert Jenkins	117	0	7.5	6.7	4.2
430	254	Scripps	430	0	6.0	2.0	27.1
280	194	Torrey & Carville	278	0	7.7	2.8	13.5
100	100	Torrey & Carville Conv. Pref.	100	0	10.7	10.7	-
96	56	Travian Holdings (USM)	96	0	2.7	2.9	10.1
113	100	United Eastern Group Pref.	108	0	8.0	7.4	-
351	350	Veterinary Drug Co. Plc.	351	-1	22.0	6.3	9.4
327	203	W.S. Yates	327	-2	16.2	5.0	62.9

Securities designated (SD) and (USM) are dealt in subject to the rules and regulations of the Stock Exchange. Other securities listed above are dealt in subject to the rules of TSA.

These Securities are dealt in strictly on a matched bargain basis. Neither Granville & Co. Limited nor Granville Davies Limited are market makers in these securities.

Acquisitive Blenheim tops £4m

By Fiona Thompson

BLENHEIM Exhibitions, a USM-quoted trade exhibition and conference organiser, yesterday reported almost trebled profits for the year to August 31, 1988. The pre-tax advance from £1.43m to £4.06m, up from £4.55m last year.

Earnings per share doubled to 25.1p (12.2p) and the directors have recommended a final dividend of 5.6p, making a total for the year of 9p (4p).

Blenheim has grown rapidly since it joined the USM just two years ago. Always highly acquisitive, it made eight purchases in the past year including major moves into France and Germany, and is now the largest trade exhibition and conference organiser in Europe.

In 1986 Blenheim organised 27 exhibitions. In the past year the total was 107 exhibitions and conferences in 17 sectors and in four countries. The most profitable events were in the fields of information technology, giftware, food, and business services.

The first step into Europe was the acquisition this July of Euroatca SA, a Brussels-

based conference organiser and publisher operating in electronic data interchange (EDI), that is, computers talking to computers. Blenheim already organises the premier ETI event in the UK.

The French acquisitions were Padco and Bernard Becker Communication. Mr Patrick Lecetre and Mr Bernard Becker, the founders of both, have joined the Blenheim board and Mr Lecetre is now Blenheim's second largest shareholder.

Since the year end the group has acquired Heckmann, a German exhibition and trade fair organiser established in 1926, which has eight highly respected events.

"Our strategy is to create, very quickly, a European network," said Mr Neville Buch, executive chairman. "To replicate, in Europe, the events held in the UK."

To cater for the group's rapid expansion, a new management structure has been set in place. In each country the trading subsidiaries have been grouped under a single sub-

holding company whose board reports directly to the main board.

COMMENT

Blenheim is run by a group of people who know their business and where they want to go. And it is clearly not a one man band. Its expansion in terms of sector and geographical spread is impressive, and, equally important, it has got the management in place down the line to run the acquisitions. Exhibition organising, as Neville Buch says, is a beautifully simple business, there are no stock or cash flow problems, clients pay 50 per cent upfront and the full balance even if they cancel. Despite not having the trade publication links its UK competitors EMAP and Reed have, Blenheim does have the knack of consistently getting the audiences. In addition, it is a price follower, giving it scope for increases. The shares closed 10p down at 690p last night. Analysts are looking for pre-tax profits in the region of £3m this year, putting the shares on a prospective p/e of about 19, high enough for the time being.

Chancery rises 65% to £3.06m

By David Lascelles, Banking Editor

CHANCERY, merchant banking and financial services group, earned £3.06m before tax in the six months to September 30, a 65 per cent increase on the £1.85m previously. The interim dividend is being raised by 39 per cent from 1.8p to 2.5p.

The banking division is diversifying its loan portfolio to reduce the share of property lending. The stockbroking division remains highly profitable despite poor market conditions thanks to a strong private client business and tight cost controls.

Mr Harvey Cohen, chairman of the USM-quoted company, said more acquisitions were being considered as logical additions to the existing business. "The mood is expansionary," he said.

CONTRACTS & TENDERS

HONG KONG GOVERNMENT Environmental Protection Department Control of Gas at Sai Tso Wan Landfill Notice of Prequalification of Tenderers

- It is proposed that tenders will be invited in March 1989 from prequalified contractors for the provision of a plant for the abstraction and disposal of gas from a completed landfill site.
 - The contract includes the detailed design, procurement and supply of equipment, and installation, commissioning and handover operation of a landfill gas abstraction plant at the Sai Tso Wan landfill site.
 - Contractors with specialized experience in the design, installation and operation of landfill gas emission and migration control equipment are invited to apply for the prequalification document to:
- ERL (Asia) Limited, Suite 1111, Star House, 5 Salisbury Road, Kowloon, Hong Kong.
- Telephone: 3-723 5983 or 3-724 1148
Facsimile: 3-722 6192
- Completed prequalification submissions shall be submitted as directed in the document not later than 12:00 noon on 9 December 1988.
- Joint ventures with other firms will be allowed.
 - Government reserves the right to reject any contractor's application at its discretion and without explanation.

Higher margin products lift Unilock

CONCENTRATION ON higher margin products by its main operating company helped Unilock Holdings, screen and partition manufacturer, show a 20 per cent increase in interim

taxable profits from £759,000 to £909,000. Mr Ken Roberts, chairman, said the recovery was expected to continue.

Pre-exceptional profits doubled to £1.06m (£504,000). Turnover was £12.61m (£12.53m). Earnings per 20p share were lower at 2.7p (3.06p). The interim dividend is maintained at 1p.

There was an exceptional charge in the period to September 30 of £155,000 incurred in preventing a competitor copying a product. The comparatives included an exceptional profit of £256,000 on the sale of a property.

Mr Roberts said that Unilock Partitions, the major core business, performed substantially better than last year despite marginally increased turnover.

Century Oils drops 17% but better trend seen

CENTURY OILS Group, manufacturer of lubricants and allied products, saw pre-tax profits fall 17 per cent from £2.85m to £2.36m in the six months to September. Turnover fell from £45.67m to \$46.14m.

Mr Charles Mitchell, chairman, said the erosion of profit margins in the US and Europe last year had continued into

the first half for longer than expected. However, the US subsidiaries had returned to profitability and in the UK some important profit margins had been achieved. A recovery in trading was expected in the second half.

The interim dividend is held at 1.75p on earnings per share of 5.18p (6.5p).

Scantronic Holdings up 54% to £1.43m midway

Scantronic Holdings, electronic data communication equipment group, lifted taxable profits 54 per cent to £1.43m in the six months to September 30 1988.

The improvement was posted on turnover of £11.43m, up from £7.04m.

After operating costs of £9.82m (£9.02m), profits at the operating level rose to £1.61m (£1.02m).

Tax took £500,000 (£325,000), leaving earnings per 10p share of 3.25p, up from 2.55p last time. The interim dividend is raised 0.12p to 0.55p.

COMPANY NOTICES

AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED

NOTICE TO HOLDERS OF PREFERENCE STOCK WARRANTS TO BEARER PAYMENT OF COUPON No. 82

With reference to the declaration of dividend announced on 17th November 1988, the following information is published for the guidance of holders of stock warrants to bearer:

The dividend of 3 cents per unit of stock was declared in South African currency. South African non-resident shareholders' tax at 0.45 cents per unit of stock will be deducted from the dividend payable in respect of all stock warrant coupons having a net dividend of 2.55 cents per unit of stock.

The dividend on bearer stock will be paid on or after 15th February 1989 against surrender of coupon No. 82 detached from the stock warrants to bearer as under:

(a) At the office of the following continental paying agent:
Credit Inter-Nation
70004 Paris
In respect of coupons lodged at the office of the continental paying agent the dividend payment will be made in South African currency to an authorized dealer in exchange in the Republic of South Africa nominated by the continental paying agent. Instructions regarding disposal of the proceeds of the payment to stock warrants must be given to such authorized dealer by the continental paying agent concerned.

(b) At the Securities Department of Hill Samuel & Co Limited, 45 Beach Street, London EC2P 3JX. Unless persons depositing coupons at such office request payment in kind to an address in the Republic of South Africa, payment will be made in United Kingdom currency either:

(i) in respect of coupons lodged on or prior to 8th February 1989 at the United Kingdom currency equivalent of the rand currency value of their dividend on 12th December 1988; or

(ii) in respect of coupons lodged after 8th February 1989 at the prevailing rate of exchange on the day the proceeds are remitted, through an authorized dealer in exchange in Johannesburg to the Securities Department of Hill Samuel & Co Limited.

Coupons must be left for at least four clear days for examination and may be presented any weekday (Saturday excepted) between the hours of 10 am and 3 pm United Kingdom income tax will be deducted from payments to any person in the United Kingdom in respect of coupons deposited at the Securities Department of Hill Samuel & Co Limited, unless such coupons are accompanied by Inland Revenue non-residence declaration forms where such declaration is made in net amount of the dividend was by the United Kingdom currency equivalent of 2.55 cents per unit of stock in terms of sub-paragraph (b) above arrived at as follows:

South African Currency	Cents per Unit of Stock
Amount of dividend declared	3.00
Less: South African Non-Resident shareholders' tax at 15%	0.45
	2.55
Less: U.K. income tax at 10% of the gross amount of the dividend of 3 cents	0.30
	2.25

For and on behalf of
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
London Secretaries
G A Wilkinson

London Office:
40 Holborn Viaduct
London EC1P 1AJ
25th November 1988

Note:
The Company has been requested by the Commissioners of Inland Revenue to state: Under the double tax agreement between the United Kingdom and the Republic of South Africa, the South African non-resident shareholders' tax applicable to the dividend is allowable as a credit against the United Kingdom tax payable in respect of the dividend. The deduction of tax at the reduced rate of 10% instead of at the basic rate of 25% represents an allowance of credit at the rate of 15%.

LEGAL NOTICES

IN PARLIAMENT
SESSION 1988-89
INTERNATIONAL WESTMINSTER BANK

NOTICE is hereby given that application is being made by the International Westminster Bank PLC (hereinafter referred to as "the Bank") to Parliament for leave to introduce in the present Session a Bill (hereinafter referred to as "the Bill") under the above title for the purposes of which the following is a concise summary:

- To make provision for the vesting in the Bank of the undertaking of International Westminster Bank PLC (hereinafter referred to as "the Bank") and for the transfer from IWB of customers' accounts, securities for payment of debts and liabilities and all other property.
- To provide for the continuance in force of contracts, deeds, indentures, instructions, undertakings and other instruments and for the transfer from IWB of customers' accounts, securities for payment of debts and liabilities and all other property.
- To provide for the continuance of actions to which IWB has been a party; that documents shall continue to be evidence and that the Bankers' Books Evidence Act 1973 should continue to apply to the books of IWB.
- To make provision for the continuing effect of contracts of employment and pensions of persons employed by IWB and whereby employees and documents relating to IWB shall have effect as relating to the Bank and to make provision for application of the intended Act to Scotland and Northern Ireland.

On and after the 2nd day of December 1988 a printed copy of the Bill may be inspected and copies thereof obtained at the price of 50p for each copy at the respective offices of the undersigned Solicitors and Parliamentary Agents, Messrs, Dundas & Wilson G.S., Solicitors, 25 Charlotte Square, Edinburgh, EH2 4EZ and at Messrs. L'Esperance & Brett, Solicitors, 10 Colindale Avenue, 10 Colindale Avenue, London NW9 1SD (between 9 and 7 and 9 Chichester Street, Belfast, Northern Ireland).

Objection to the Bill may be made by depositing a Petition against it in either or both Houses of Parliament. The Petition must be deposited at such a Petition in the First House with the Secretary of that House on or before 14th January 1989, if it originates in the House of Commons. Further information may be obtained from the Office of the Clerk of the Parliaments, the Private Bill Office of the House of Commons or the undersigned Parliamentary Agents.

Dated this 28th day of November, 1988.

TRAVERS SMITH BRATTMAYNE
8 Snow Hill, London, EC2A 3AL
Solicitors

DYSON, BELL & CO.,
15 Great College Street, Westminster
London, SW1P 3JX
Parliamentary Agents

Fuel for an unusual institution aiming to diversify

David Lascelles looks at Secure Trust, a budgeting service seeking a full listing

FINANCIAL institutions come in many forms - but few in the form of Secure Trust Group, a Birmingham-based banking company which will be seeking a full Stock Exchange listing next month.

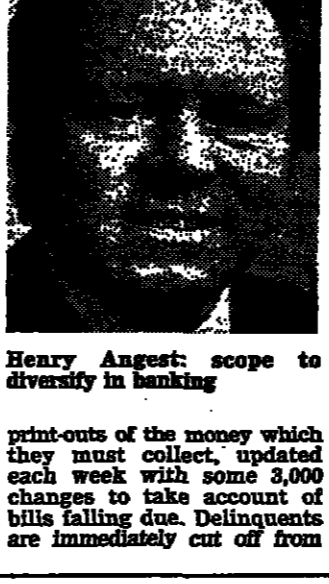
Officially, Secure Trust is in the business of home money management, though few people would know instantly what that means. Simply put, it is a service to help people save and pay their regular household bills: mortgage, telephone, insurance and so on.

Most households subscribe to the service by paying a small regular amount of money, and then leave Secure Trust to handle the paperwork and payments. Most of this money is collected weekly, in cash, by a small army of 700 agents who tour neighbourhoods on Saturday mornings. Other subscribers pay monthly, and by cheque or Giro.

If it all sounds a bit like something out of Andy Capp, Mr Henry Angest, the chairman and chief executive, is quick to disagree. "It may have started off as a way to help people pay their bills, but now it is a convenience service," he says. "People are not that hard up these days, and the fact is that our company is growing."

Indeed, the more one looks into Secure Trust, the more it appears to be an unusual variation on the standard banking and budgeting business.

Secure Trust and its banking subsidiary Secure Homes Limited, date back to 1922 when a Birmingham estate agent began providing a service to help homeowners meet their mortgage and rates payments. Today, the company claims to be far the largest in the budgeting market, with some 44,000 subscribers to the main service, plus another 10,000 customers using other services which have been added, like insurance broking.



Henry Angest: scope to diversify in banking

the service, and their bills returned to them unpaid.

Although Secure Trust charges £1.50 a week for the service, it derives a good part of its income from the enormous float of money accumulated from the more than £1m collected each Saturday. On average, the company holds about £10m, which at today's interest rates yields a good £1m a year. More income also comes from making loans of up to £2,000 to customers and passing other services through the system such as insurance, travel services and special promotions.

The main business accounts for 58 per cent of turnover, with insurance broking amounting to 26 per cent, lending 6 per cent and travel 10 per cent. Last year the company made pre-tax profits of £2.3m. In the first nine months of this year it earned £2.1m.

According to Mr Angest, growth has historically been between 10 and 20 per cent annually. The company has been adding between 1,500 and 2,000 subscribers a year, and sees scope for expansion both geographically (at present it is concentrated in the Midlands) and by diversifying the scope of its services.

Mr Angest believes scope for diversification is particularly large in banking. Secure Homes has a loan book of only £1.8m, yet virtually all its customers are homeowners, and therefore good credit risks. Although the majority belong to the lower socio-economic groupings, a number of professional people have signed up, such as doctors.

There is also scope for reducing costs by gradually transferring subscribers to automated forms of payment through the banking system. Monthly rather than weekly payments

would streamline the operation further, though Mr Angest says the company is in no hurry to phase-out the collectors who provide the personal contact on which Secure Trust depends for much of its business, both to gather in the money and to deliver new types of services.

Mr Angest, who formerly worked for Arthurwoods, merchant bank, led a buy-out of Secure Trust two years ago with the backing of several venture capital groups.

The listing will include the issue of new shares to raise about £9.5m. (None of the existing shareholders are selling shares; some members of management will subscribe for new shares). This will repay borrowings of £6m, and provide additional working capital. The listing will also enable Secure Trust to make acquisitions using its own paper, an insurance broker is a possibility.

Second Series Floating Euro-Dollar Repackaged Assets of the Republic of Italy Issue 1989 F.R.A.F.I.I US\$001,330,000,000

For the period from November 25, 1988 to February 27, 1989 the notes will carry an interest rate of 9 3/8% per annum with an interest amount of usdol 2,447,92-per usdol 100,000,000.

The relevant interest payment date will be February 27, 1989.

Benque Paribas (Luxembourg) S.A. Agent Bank

C.C.C.E. ECU 200,000,000 Floating Rate Notes due 2008 and 200,000,000 to subscribe up to ECU 200,000,000 7 1/2 0/0 Guaranteed Notes due 2008

For the period from November 24, 1988 to February 24, 1989 the notes will carry an interest rate of 7 1/2% per annum with an interest amount of ECU 198.5-per ECU 100,000,000. The relevant interest payment date will be February 24, 1989.

Benque Paribas (Luxembourg) S.A. Agent Bank

ART GALLERIES

LEGER, 15, Old Bond Street, 01-629 3028. Annual Watercolour Exhibition of 100 artists from a Scottish Garden by Elizabeth Cameron. Mon-Fri. 9.30-4.30.

The Lefevre Gallery, 30 Bruton Street, London W.1. 01-492 2707. An Exhibition of Two Scottish Colourists, Peacock and Cawell. 24 Nov-16 Dec. Mon-Fri 10am-6pm.

CLUBS

Eve has outlived the others because of a policy on fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting doorbooms. 189, Regent St., W.1. 01-734 0557.

COPE WOOLLCOMBE & PARTNERS

CONTACT: PETER COPE FCMA 19/20 NEW CONCORDIA WHARF MILL STREET LONDON SE1 2BB TELEPHONE 01-237 3456

FACTURING

The Financial Times proposes to publish this survey on: 27th January 1989

For a full editorial synopsis and advertisement details, please contact: Tim Davis on 011-248 8000 ext 4181

or write to him at: Bracken House 10 Cannon Street London EC4A 4BY

FINANCIAL TIMES EUROPE'S BUSINESS NEWSPAPER

FULCRUM INVESTMENT TRUST P.L.C.

Preliminary results (subject to audit)

	Year ended 31.10.88	Year ended 31.10.87
Net Revenue before tax	£311,283	£292,090
Dividends per Income share	6.95p	6.30p
Net Assets per Valuation	£3,953,427	£3,898,637
Net Asset value per:		
Income Share	41.98p	41.74p
Capital Share	16.24p	15.96p

Second Interim Dividend in lieu of Final of 4.40p per Income share, making 6.95p per share for the year (6.30p per share) payable 30th December 1988 to shareholders registered 9th December 1988.

Company Secretary and Investment Manager, Clansley Investment Management Ltd., 4 Mount Parade, Harrogate, North Yorkshire HG1 1BX.

COPE CONSULTANTS IN

WOOLLCOMBE & PARTNERS

CONTACT: PETER COPE FCMA 19/20 NEW CONCORDIA WHARF MILL STREET LONDON SE1 2BB TELEPHONE 01-237 3456

CORPORATE GRAPHIC DESIGN

CORPORATE IDENTITY

ANNUAL REPORTS

FINANCIAL LITERATURE

LONDON STOCK EXCHANGE

Nervous ahead of UK trade figures

THE UK equity market was a nervous and somewhat apprehensive place yesterday as traders, denied an overnight lead from Tokyo and facing a similar market holiday in New York, fell easy prey to nervousness ahead of the UK trade figures for October, due this morning. The most positive news of the session was the signing of the agreement and major contracts for the new European fighter aircraft; but the market had already discounted the announcement.

The session started with some uncertainty regarding overnight reports that the recent Bond Corporation purchases of Lomro stock had

Mr Tiny Rowland. However, the uncertainty revived some of the concern that Bond Corporation might sell some share stakes in UK companies to meet the bill for its Lomro deal purchases. Equities extended their early falls as a leading securities house operated a \$50m sell programme which hit a number of blue chip stocks, including many of the insurance and energy companies. Later in the session, the trend was balanced by a smallish buy programme, also from a London house.

London equities staged a somewhat Pavlovian rally as the time for Wall Street's open barrel towards the close of trading. There was, however, considerable optimism in the market that some sort of agreement on output would be reached. The oil majors mirrored this view, with BP aggressively bought - the oil sector 3 higher at 250p after turnover of 8.5m while the new, where turnover rocketed to 11m, added 4% at 167 1/2p.

A further adjournment of the Opec meeting in Vienna left oil shares to trade quietly as London waited to see if New York would resume its buying interest on its return to business. Market analysts began to sound increasingly nervous ahead of today's UK trade figures, if only because the previous monthly data was generally agreed to have been, "not as good as it looked", to quote Ian Harwood at Warburg Securities.

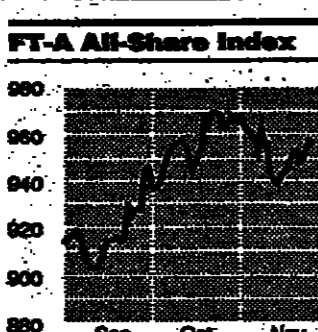
Heavy Ultramar trade

Ultramar shares raced ahead in early trading, touching a high of 270p before later dipping back to close a net 15 higher at 262 1/2p. Turnover expanded sharply and eventually settled at 10m, by far the heaviest for some time.

The early wave of buying interest was triggered by strong support, notably from three of the major securities houses in London, it was accompanied by a report that a near 15 per cent stake was being accumulated and that a bid could be in the pipeline - Atlantic Richfield and Consolidated Gold Fields were among possible predators mentioned in the market. There was also heavy support in the traded option market where the stock was among the biggest traders.

Stake-building stories were shrugged aside by dealers, but there remained speculation that the near 14 per cent stake held by Sir Ron Smeeth's IEP might be on the move soon. A further stake of some 2 per cent is thought to be held by Premier Consolidated. But the market stories were refuted by Mr David Eikon, an executive director at Ultramar, who said: "The company's underlying strength is only now beginning to be perceived by the market. The steep rise in the shares is partly a response to last Friday's presentation to all industry analysts, which explained the strength of the group with its upstream and downstream balance of interests. We are not aware of any unwelcome developments."

Lomro deals The London market was puzzled by reports that Bond Corporation's recent purchases of Lomro stock had involved a "deferred payment" arrangement in the US. The market fixed on the disclosure that Bond will pay for its 48m Lomro shares on December 1, four days ahead of the next Account Day in the London equity market. This represents a 12 1/2% exposure, an extraordinary risk for the London broker, whoever he is, said one dealer skilled in transatlantic arbitrage. Smith New Court was reported as saying: "Bond is not a client", and refused further comment.

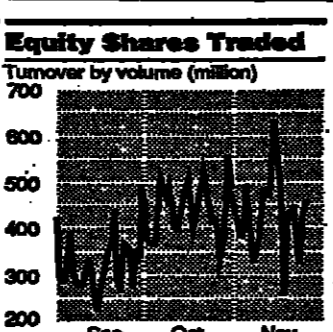


by Bond's sale of its 30 per cent stake in HK TVB, although this was not unexpected, and concern that the Australian group might want to raise more cash inspired a fall of 8 to 10p in Allied, where Bond has an 11 per cent holding. Turnover in Allied jumped sharply to 2.8m shares.

However, shares in Lomro, where the Bond Corporation holds 21 per cent, closed only a shade off at 385p, with turnover of 7.2m higher than earlier in the week.

Downgradings by two leading British securities houses outweighed news of the signing of the European fighter aircraft contracts and provoked a sharp fall in British Aerospace shares. They fell 13 1/2 to 464p on a turnover of 4.5m.

The market had already discounted the contract which should provide work for British Aerospace and its European partners well into the next century. A memorandum understanding has been signed by the participating nations as well as two main development contracts for the propulsion system, and the aircraft and its weapons systems.



International stocks were dented by lack of institutional demand, Wall Street's closure and a general unwillingness to do much ahead of today's UK Trade figures. Glaxo ran 6 better to 1083p on light buying on the inter-dealer broker screens. ICI eased to 1008p, Beecham was unchanged at 487p and Fisons was barely lower at 246p.

Wellcome fell back 7 to 458p on profit-taking following Wednesday's rise on the back of comment about its drug Retsurin. Beckmans reported figures in the middle to bottom of the range of forecasts and the shares fell 5 1/2 to 464p in thin turnover of 688,000. Mr Mark Duffy, analyst at Warburg Securities, points out that if Rothmans' cash holdings are stripped out, its core businesses are currently trading on only 1.5 times earnings, making the shares fundamentally undervalued.

News from Vienna kept the oil and gas market on the hop. Crude oil prices dipped off as it emerged that the OPEC ministerial meeting had been postponed yet again, this time to re-convene at 10 am GMT today. Having retreated to \$12.85 at one point, Brent for December delivery rallied to around 50 cents down at \$13 a

barrel towards the close of trading. There was, however, considerable optimism in the market that some sort of agreement on output would be reached. The oil majors mirrored this view, with BP aggressively bought - the oil sector 3 higher at 250p after turnover of 8.5m while the new, where turnover rocketed to 11m, added 4% at 167 1/2p.

Carless Capel edged up 2 1/2 to 115 1/2p, above the price offered by Kelt, with whispers being the round that another bidder could soon appear. The programme trades encompassed many of the insurance issues, especially Prudential which closed 1 1/2 off at 151 1/2p on turnover of 5.8m. Good support developed for Commercial Union, finally 3 1/2 better at 331p, but suggestions that a "sell" recommendation from one of the leading securities houses could well be imminent upset Sun Alliance, down 8 1/2 to 987 1/2p. Sedgwick attracted late support, closing 3 1/2 at 219p.

Brewery stocks remained becalmed by lack of business. Whitbread edged better to 297p, a gain of 4 on the day, with dealers reporting some buying interest ahead of the shares going ex-dividend on Monday. Turnover was 2.1m. Whitbread 23 shares added 35 more to 770p, but dealers pointed out that the shares, which carry voting rights, are virtually unmarketable. Activity in Storehouse ran up almost to Wednesday's dizzy heights as the shares rallied late to close a penny higher at 214p. By the close 21m shares had gone through the system heightening speculation that a stake will be disclosed in the near future. Analysts and dealers were still guessing as to the identity of possible stakeholders and reported that early profit-taking was easily absorbed.

Woolworth remained in favour and the shares put on another 5 to 289p in trading described as options-led. Not everyone was impressed, however, and Mr Andrew Hughes of Hoare Govett yesterday trimmed his forecast for the year to January 1989 by 52m to £170m. Boots reported sparkling interim figures which topped even the most optimistic forecasts and took the market by surprise. The shares rose 4 to 265p in heavy turnover of 12m and after a bullish analysts' meeting there was widespread upgrading of profit forecasts. County NatWest WoodMac raised its full year number to £290m (excluding property contributions) while Hoare Govett is now going for 260p.

Turnover in the electronics generally contracted further, but Rascal retreated 7 1/2 to 277p after turnover of 5.2m - well above recent levels. The stock

was said to have been involved in the day's programme trade activities, with most of the action on the sell side. Plessey, where 4.5m shares changed hands, gave up a couple of pence to 219 1/2p, while 274, where dealers noted big action via the inter-broker dealer screens, eased 21 to 176p. Turnover in GEC topped 3m. STC continued to drift on the talk that the company may launch a counter offer in the role of a White Knight against Plessey.

Second-liners showed George Scholes one of the day's outstanding performers and up some 25 to 295p, after 307p, after reports that Hanson and ABB have been involved in takeover discussions with the group. Scantronic added 8 at 110p after the sharply increased interim profits. Engineering group Davy Corporation leapt 8 1/2 to 183p with talk in the market that a bid for the company could be imminent. FKI Babcock were mentioned as a possible predator. FKI shares closed 2 off at 133p, after turnover of 4.3m, having opened higher at 139p.

Food stocks were very dull, with profit-taking reported across the board. Booker was a notably weak market and the shares fell 8 to 388p. News of a £5.5m acquisition of County FKI was regarded as unmarketable, but the main pressure resulted from the presence of a seller late in the session on Wednesday. Among leaders, Cadbury Schweppes fell 3 to 356p, Northern Foods dropped 4 to 287p and United Biscuits 4 to 27p. Whippers about a Swiss bid for the latter have been increasing through out this week, with Suchard and Nestlé

FINANCIAL TIMES STOCK INDICES

Table with columns for Nov 24, Nov 23, Nov 22, Nov 21, Nov 18, Nov 15, Nov 12, Nov 9, Nov 6, Nov 3, 1988, and Since Completion. Rows include Government Secs, Fixed Interest, Ordinary, Gold Mines, etc.

TRADING VOLUME IN MAJOR STOCKS

Table listing trading volume for various stocks including Anglo, BHP, British Airways, etc., with columns for Volume, Price, and % Change.

APPOINTMENTS

Group reorganisation at Kleinwort Benson

KLEINWORT BENSON GROUP, the City merchant banking concern, completed a series of top-level management changes yesterday with the appointment of Mr David Peake as group chairman in succession to Mr Henry Benson from next January 1, writes David Llewellyn, Banking Correspondent.

- Mr Dennis R.W. Silk has been appointed to the board of the ECCLESIASTICAL INSURANCE GROUP. He is warden of Radley College, Oxford. Mr Hill Francis, chairman of the Black Company Development Corporation, has joined the board of TFSONS as an executive director with special responsibility for business development. Mr John Edwards has been appointed to the board of the KYLE STEWART GROUP. Mr Robin Stewart, previously chairman and joint managing director, becomes executive chairman.

marketing division of Duracell Batteries, has appointed Mr David Young as director and general manager, with additional responsibility for operations in Denmark, Norway, Finland and Sweden. He was zone manager, nordic region.

Mr Russell Twist (magazine editor-in-chief), Mr Henry van Wyk (advertisement sales director), and Mr Frank Ross (personnel director) have been appointed directors of the READER'S DIGEST ASSOCIATION.

Mr Peter Barry has been appointed general manager enhanced services, MERCURY COMMUNICATIONS, responsible for telex, data network services, voice and electronic messaging. He was general manager, communications products, Lotus Development Corporation, and prior to that was managing director of Telecom Gold.

Mr R.E.M. Steward has joined the board of ASEE EXHIBITIONS, the parent company of Electra.

Mr John Edmunds has been appointed manufacturing director at Hicster-based SCHADE BRUCE, a supplier of metal formed components to the motor industry. He was previously employed by the Rover Group.

The Fleming Flagship Fund. The finest collection of funds we've ever unveiled. UNITED KINGDOM FUND & US DISCOVERY FUND & JAPANESE FUND & INTERNATIONAL BOND FUND & MULTICURRENCY RESERVE FUND & AMERICAN FUND & CONTINENTAL EUROPEAN FUND & GLOBAL CONVERTIBLE FUND & PACIFIC FUND

FT UNIT TRUST INFORMATION SERVICE

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Main table containing unit trust information, including columns for company name, type, and other details. Includes sub-sections like 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts, their managers, and performance metrics.

LONDON SHARE SERVICE

Table of London Share Service listing British Funds, Foreign Bonds & Rails, and Americans.

Table of Money Market Bank Accounts listing various financial products and their rates.

OTHER OFFSHORE FUNDS

Table of Other Offshore Funds listing various international investment vehicles.

Money Market Trust Funds

Table of Money Market Trust Funds listing specific trust fund products.

Money Market Bank Accounts

Table of Money Market Bank Accounts listing bank account products.

UNIT TRUST NOTES: Detailed notes regarding unit trust regulations and investor responsibilities.

LONDON SHARE SERVICE

AMERICANS - Contd

Table with columns: 1988, 1987, Stock, Price, Div, Yield, P/E. Lists various American companies like Amgen, Amstar, Amstar Corp.

CANADIANS

Table with columns: 1988, 1987, Stock, Price, Div, Yield, P/E. Lists various Canadian companies like Alcan, Alcan Ltd, Alcan Int'l.

BANKS, HP & LEASING

Table with columns: 1988, 1987, Stock, Price, Div, Yield, P/E. Lists various financial institutions like Citicorp, Citicorp Intl, Citicorp Ind.

BEERS, WINES & SPIRITS

Table with columns: 1988, 1987, Stock, Price, Div, Yield, P/E. Lists various beverage companies like Anheuser-Busch, Carlsberg, Heineken.

BUILDING, TIMBER, ROADS

Table with columns: 1988, 1987, Stock, Price, Div, Yield, P/E. Lists various construction and infrastructure companies like Bechtel, Bechtel Intl, Bechtel Ind.

BUILDING, TIMBER, ROADS - Contd

Table with columns: 1988, 1987, Stock, Price, Div, Yield, P/E. Continuation of construction companies.

CHEMICALS, PLASTICS

Table with columns: 1988, 1987, Stock, Price, Div, Yield, P/E. Lists various chemical and plastic companies like Amchem, Amchem Intl, Amchem Ind.

DRAPERY AND STORES

Table with columns: 1988, 1987, Stock, Price, Div, Yield, P/E. Lists various retail and textile companies like J. J. Textiles, J. J. Textiles Intl.

BUILDING, TIMBER, ROADS

Table with columns: 1988, 1987, Stock, Price, Div, Yield, P/E. Continuation of construction companies.

ELECTRICALS

Table with columns: 1988, 1987, Stock, Price, Div, Yield, P/E. Lists various electrical and electronics companies like Amper, Amper Intl, Amper Ind.

CHEMICALS, PLASTICS

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DRAPERY AND STORES

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BUILDING, TIMBER, ROADS

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ENGINEERING - Contd

Table with columns: 1988, 1987, Stock, Price, Div, Yield, P/E. Lists various engineering and technology companies like Amper, Amper Intl, Amper Ind.

CHEMICALS, PLASTICS

Table with columns: 1988, 1987, Stock, Price, Div, Yield, P/E. Continuation of chemical and plastic companies.

DRAPERY AND STORES

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INDUSTRIALS (Misc.) - Contd

Table with columns: 1988, 1987, Stock, Price, Div, Yield, P/E. Lists various industrial companies like Amper, Amper Intl, Amper Ind.

CHEMICALS, PLASTICS

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar hits record yen low

THE DOLLAR finished little changed in subdued European trading yesterday, but underlying sentiment continued to point along a downward path.

There was some intervention by central banks, but this was not regarded as aggressive, and appeared designed only to slow any decline.

Dealers were wary of trying to move the dollar too sharply. New York was closed for Thanksgiving Day, creating tight trading conditions and giving the central banks an opportunity to hit speculative short positions without too much effort.

The Bank of Japan bought an estimated \$100m in London at around Y121.15. This put a temporary floor under the dollar, but it soon fell below Y120.00 in Europe, touching a record low of Y120.45.

In this and rather volatile late London trading the dollar made a partial recovery to close at Y120.50, compared with Y121.35 previously.

Remarks by Mr Kiuchi Miyazawa, Japanese Finance Minister, were regarded as somewhat ambiguous. He said the major industrial nations will continue to intervene in currency markets, to deal with rapid and major movements.

Table with columns: Nov 24, Latest, Previous. Rows for various currencies like Sterling, Swiss Franc, etc.

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FINANCIAL FUTURES

Further small losses

FURTHER SMALL losses were seen in sterling interest rate contracts on the Life market yesterday. Volume remained low, with two factors dampening enthusiasm in an already lacklustre area.

US markets were closed for Thanksgiving Day, bringing turnover in US Treasury bonds down to barely 600 lots on

Life, and providing no catalyst for gains to trade on.

The other depressing factor for volume was today's announcement of the UK trade figures for October. The September trade deficit was lower than expected, but erratic items played a major part in the current account shortfall of only \$500m. The October current

account deficit is expected to be around \$1.2bn, but this figure is already built in to market prices, and if correct should have little impact.

December long gilt opened at 95-25, and fell to 95-27, from 95-27 previously. March short sterling futures closed at 87.56, only slightly above the day's low of 87.85, and compared with 87.91 on Wednesday.

Table with columns: Price, Call, Put, etc. Rows for various futures contracts like US Treasury, etc.

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EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

Table with columns: Series, Vol, Last, etc. Rows for various options contracts like GOLD, etc.

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FT LONDON INTERBANK FIXING

MONEY RATES

Table with columns: 01.00 a.m. Nov 24, 3 months US dollars, etc. Rows for various interbank fixing rates.

Table with columns: NEW YORK, Treasury Bills and Bonds, etc. Rows for various money rates.

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FT LAW REPORTS

Defendant union not liable for costs

The plaintiff abattoir owners, threatened with the possibility of strikes on consecutive days, came to the court and sought interlocutory relief. On October 26 they were granted an interlocutory injunction. On November 17, after a full hearing on the interlocutory injunction, it was discharged (1987) JFTLR 127.

On November 28 1988 the dispute between the MLC and the abattoir owners was settled. The action, insofar as it sought injunction, became academic, but pleadings were delivered and it dribbled on for about a year. On December 16 1987 the plaintiff abattoir took out a summons for leave to discontinue under Order 21 rule 3.

Leave was granted by Master Waldman on June 20 1988. He made no order as to costs up to and including interlocutory proceedings, and rightly ordered that the plaintiffs should pay the defendant's costs in the action thereafter.

The defendants applied against the order seeking to set aside the plaintiff's decision of June 20 1988 to make no order for costs up to and including interlocutory proceedings, and rightly ordered that the plaintiffs should pay the defendant's costs in the action thereafter.

The order made on the interlocutory judgment was costs in the cause. At the time the new Order 62 regime in relation to costs had been in existence for six months or so. When a court was newly sure that the successful party would be shown to be right at the end of the day it could make an order for costs in the cause. As the entitlement to those costs only occurred if judgment was given, where an action was discontinued with leave and judgment was not given, they fell within the jurisdiction of the tribunal hearing the application to discontinue.

The new Order 62 was based on or consistent with the general principles laid down in Stratford & Lindley (No 2) 3 All ER 1222.

Those general principles were basically that first, the wide discretion under Order 21 rule 3 entitled the tribunal exercising that discretion to make what order it liked in respect of an order of costs in the cause; second, to make an order of costs in the cause was effectively equivalent to discontinuance on consecutive days.

and the judge had given appreciable weight to an undertaking not to call a strike on consecutive days. He said the judge had concluded there was nothing to justify an arguable case and had correctly expressed the opinion there would be no cause.

It was a question for the exercise of discretion. The relevant factors were first, that the plaintiffs had not been ordered to pay the costs of the unsuccessful interlocutory application, because the court could not be sure of the eventual outcome and could not in justice make the order. Second, there was a public interest in not forcing parties to litigate over costs - that should be kept free for necessary cases rather than quasi-academic cases.

If the general rule applied in all cases, even where discontinuance was because the matter was largely academic, inevitably it would lead to more academic or half-academic cases being ordered to pay the costs of the unsuccessful application to avoid the incidence of costs. Third, the most compelling factor dealt with the effect of the undertaking. It was the second ballot which authorised strikes on consecutive days. It was that ballot that the plaintiffs focused on, and that was the basis on which they explained the proceedings they were taking. The undertaking withdrew the threat.

Those factors all pointed one way in the exercise of discretion. The master's judgment was right and reflected the justice of the case, namely that there should be no order as to costs up to and including the interlocutory hearing on November 17, and that the defendants should have their costs thereafter.

For the plaintiffs: Paul Gaulting (W Douglas Clark Brookes & Co)

For the defendants: Stephen Rubin (Gusters)

Rachel Davies Barrister

IN THE ARAMIS, FT November 22, the shipowners were represented by Nicholas Hamblin (Clyde & Co) and the charterers were represented by Alan Fardoe QC (William A Crump).

MONEY MARKETS

Slight easing

THERE WAS a slight easing of interest rates at the very short end of the London money market yesterday. One-week money eased to 11 1/2% p.c. from 12-11% p.c., but the key three-month rate was unchanged at 12 1/2-13% p.c.

Trading remained dull in a speech on Wednesday Mr Nigel Lawson, Chancellor of the Exchequer, underlined the fact that interest rates will not come down until inflation shows signs of falling.

A further rise in base rates is not considered out of the question, but today's announcement of the October UK trade

through £140m bank bills in bank at 11 1/2% p.c., and 500m bank bills at 11 1/2% p.c. The Bank of England also provided late assistance of around \$60m.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained \$200m, with Exchequer transactions absorbing \$30m, a rise in the note circulation £15m, and bank balances below target \$30m.

FT LONDON INTERBANK FIXING

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Handwritten note: July 10/12

EUROPE

Busy Zurich stands out as US holiday hits trade

THE ABSENCE of a lead from overseas with Wall Street closed left most European bourses drifting, with Zurich the busiest on continued repercussions from the Nestlé bombshell, *Financial Times* reports.

ZURICH remained very active, with all classes of shares making up further ground. The Credit Suisse index added 6.3 to 501.8.

Some analysts were baffled about where the buying was coming from, since foreigners were reported to have mostly left the market after bearish shares plummeted in the wake of Nestlé's decision to open its registered stock to overseas investors. Some foreign buying did help Nestlé registered shares rise by Sfr200 to Sfr6,070, while its bearers gained Sfr240 to Sfr6,850.

Nestlé's move was seen as leading to the possible abolition of participation certificates as a share class. Some pc's rose yesterday on the belief that any cancellation settlements would have to be made at a favourable price. Nestlé pc's jumped Sfr70 to Sfr1,225. Roche baby rose Sfr275 to Sfr1,100 in chemicals, and insurer Winterthur gained Sfr22 to Sfr655.

FRANKFURT took its lead from the weak dollar in the absence of Wall Street and currency concerns overshadowed the day's crop of positive corporate statements. It mirrored the FAZ index was down 0.84 at 528.51 and by the close the DAX was off 1.64 at 1,279.23. A low DMI196a worth of shares were traded.

Two steel groups went against the trend. Mannesmann climbed 80 pf to DMI190.50 after forecasting "significantly higher" nine month profits growth, while Metallgesellschaft advanced DMI1 to DMI340 on news of a DMI180m rights issue and a DMI2 rise in its dividend to DMI8.

Insurer AMB fell DMS to DMS50 despite forecasting a 7.5 per cent jump in annual income to DMI1.4m. AMB said it is planning further acquisitions to add to the 25 per cent stake it recently bought in insurer Volksversicherung.

PARIS had a firm start but then faded, leaving the CMC 50 index 3.1 better at 407.82 in turnover estimated to be similar to Wednesday's low FFR1.5bn and confined to a few stocks.

MIAMI eased FFR15 to FFR1.595 as the takeover speculation of the last few days came off the boil slightly. But Société Générale gained FFR10 to FFR555 after Mr Georges Pébereau, chairman of Marceau Investments, had the resources to increase its 3.16 per cent stake. CGE gained FFR1.90 to FFR410 amid speculation of further rescheduling of the "hard core" of shareholders and option-related trade.

Elsewhere, Moulinex added FFR4.50 to FFR112 as the management buyout scheme moved forward. Pechiney was up FFR10.80 to FFR280.90 after an analysts' presentation on Wednesday and the company's move to buy Triangle of the US.

MILAN edged higher in thin trade as demand for insurer Generali faded off slightly. At the close the Comit index was up 1.21 at 580.85.

Bologna insurance group Unipol saw its preference shares climb L600 to L17,000 amid talk that Ferruzzi-owned insurer Fondiaria was buying the stock. Although Unipol's preference shares were widely held, the group's unlisted ordi-

nary shares are tightly controlled by a number of European co-operatives, most notably West German insurer Volksversicherung.

Fondiaria recently acquired a 25 per cent stake in Volksversicherung, and the speculation is that Fondiaria hopes to use its influence with the West German group to put pressure on Unipol to list its ordinary shares on the Milan exchange - a move which would make it easier for Fondiaria to acquire Unipol.

STOCKHOLM made a strong start after Wednesday's rally on the tax reform proposals. But the market ran into profit-taking which reversed gains towards the close and turnover was much lower at SKr264m compared with SKr444m the previous day.

Volvo continued active, with more trading in its restricted shares up SKr2.37 and available only to Swedes, than in the free shares, unchanged at SKr357 after reaching SKr362. "There's a feeling that something's going on," said one salesman.

AMSTERDAM rose confidently before late selling on the weak dollar and losses in London pared early gains. The CBS all-share index closed up 0.4 at 98.2. The closure of Wall Street for Thanksgiving Day led to only moderate turnover.

Royal Dutch Petroleum rose 50 pf to Fl 220.70 on hopes that Opec ministers meeting in Vienna will agree to limit oil production.

BRUSSELS saw strong demand for selected shares, as trading activity rose from recent low levels. The steady dollar and a small cut in interest rates provided encouragement. The cash index closed up 28.0 at 5,383.0.

ASIA PACIFIC

Profit-taking halts series of rises

part them, featured yesterday. Among recent laggards were shipping companies, such as Yamashita-Shinmihon Steamship, which rose Y20 to Y450 in heavy trading. Yamashita is one of only two issues on the TSE first section that is priced below Y500 now that Japan's Y1000 passes that level.

Japan Line was the second most heavily traded issue, advancing Y24 to Y514.

Other popular low-priced stocks included Nippon Carbon, a maker of artificial graphite electrodes, up Y100 to Y303. Tokai Carbon, which has risen sharply from Y650 in mid-November, gained another Y100 to Y1,070. Minebea, a maker of miniature bearings, added Y32 to Y1,030 and Hitachi Seiki, a big machine tool maker, advanced Y35 to Y1,020.

Elsewhere, Sony rose Y60 to Y6,220 on rumours it was interested in acquiring MGM/UA Communications, the US film-maker and distributor.

A newspaper report that the Soviet Union had approached Mitsubishi Motor Company and Suzuki Motors with a proposal to set up a joint venture to manufacture small cars for the Soviet market, lifted Mitsubishi Heavy Industries, Suzuki Motor and Marubeni Corp. Mitsubishi Heavy is the parent company of Mitsubishi Motors, which is not yet listed on the Tokyo Stock Exchange, and Marubeni is the trading house involved on the Suzuki Motor side of the talks.

Mitsubishi Heavy rose Y20 to Y1,020 and Suzuki Motor added Y13 to Y722. Marubeni gained

Y15 to Y734 during the day but closed unchanged at Y719. Mitsubishi Corp, the trading house associated with Mitsubishi Motors, declined Y10 to Y1,220.

Share prices were mixed in Osaka, with the OSE average up 20.60 at 27,172.91. Volume fell to 100m shares compared with 132m shares on Tuesday. Nichias, a maker of insulating material, rose Y220 to Y2,500 on the strength of a new material and property assets.

Roundup

FIRMER base metal and gold prices helped Australia maintain Wednesday's rally, and demand for property stocks again lifted Hong Kong in hectic trading.

AUSTRALIA shrugged off a rise in the rediscunt rate and the firm local dollar to post gains for a second day. Dealers cited Wall Street's strength, a 12 1/2 per cent jump in the copper price overnight and firmer gold bullion prices as the reasons for the market's buoyancy. The All Ordinaries index was up 8.2 at 1,498.9 on turnover of 104m shares worth A\$176m.

The decision by the Reserve Bank of Australia to increase the rediscunt rate from 14.9 per cent to 15 per cent was the 10th rise since July, but the move was expected, said dealers. "The market looks cheap after its nine-day fall so buyers felt it was the time to come in, although it would be wrong to say we have turned the corner," said one.

Among mixed industrials,

Leid Lease rose 15 cents to A\$10.40. BTR Nylix 8 cents to A\$5.84 and Elders IXL 3 cents to A\$2.80 in busy trade.

HONG KONG kept the momentum of Wednesday's rises going as demand from local investors and overseas institutions lifted shares in the best volume since early in the year. The Hang Seng index gained 32.37 to 2,666.02 on turnover worth HK\$1.6m.

Demand for property stocks remained the force driving the market higher amid a widespread belief that the sector is undervalued. The Hang Seng property sub-index has risen 248 points in the last three sessions to yesterday's 4,307.

Trading was suspended in Bond Corp, Hongkong-TVB and TVB pending an announcement. HK-TVB - the broadcasting group whose television interests were floated off to form TVB last week - later confirmed that Bond Corp was preparing to sell its 30.6 per cent stakes in the two TVB companies.

SINGAPORE edged higher in moderate trading after Wall Street's gains and sporadic bargain buying had given the market its positive tone. The Straits Times industrial index rose 3.95 to 1,012.19 - off the day's high of 1,015.95. Turnover rose to 23m shares.

TAIWAN continued its technical correction after the strong rises of recent weeks, and shares closed sharply lower for the second day in a row. The weighted index fell 177.19 to 7,144.96 in volume of 722m shares worth T\$32bn.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 23 1988				TUESDAY NOVEMBER 22 1988				DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (91)	147.34	+1.5	118.88	112.80	4.65	145.11	117.57	111.81	152.31	91.16	98.75
Austria (17)	100.00	+0.7	80.68	89.14	2.41	99.31	80.33	89.15	100.00	83.72	92.97
Belgium (63)	154.40	+0.4	108.84	119.96	4.22	108.84	108.25	119.64	109.89	107.14	102.69
Canada (123)	119.01	+0.1	90.02	103.33	3.96	118.92	96.18	103.98	128.75	111.42	111.11
Denmark (39)	153.92	+1.4	124.19	138.80	2.16	151.73	122.72	137.13	153.92	111.42	111.11
Finland (26)	130.84	+0.7	105.57	112.17	1.49	129.92	105.08	111.92	130.84	106.78	106.78
France (130)	111.44	+1.2	89.91	102.52	3.17	110.13	87.82	102.52	111.44	78.77	86.91
West Germany (102)	88.21	+0.8	71.17	78.70	2.37	87.51	70.78	78.27	88.21	67.78	77.47
Hong Kong (46)	108.29	+1.5	87.37	108.58	4.75	106.73	86.32	107.01	111.86	84.90	84.24
Ireland (15)	133.26	+0.3	103.74	120.77	4.12	133.26	107.00	120.77	133.26	104.67	104.67
Italy (98)	86.34	+1.1	65.66	72.14	2.46	85.25	70.05	71.52	86.34	62.99	78.56
Japan (456)	190.54	+0.0	153.74	146.16	0.51	190.54	146.16	146.16	190.54	133.61	140.88
Malaysia (56)	141.47	+1.2	114.15	143.84	2.98	139.86	113.12	142.06	154.17	107.83	109.27
Mexico (13)	173.64	-0.4	140.13	154.17	1.18	173.64	154.17	154.17	173.64	146.24	146.24
Netherlands (38)	110.02	+0.8	88.77	97.19	5.07	109.13	88.26	96.65	111.00	95.23	97.12
New Zealand (25)	71.50	+1.3	57.69	58.24	6.78	70.58	57.09	57.66	84.05	64.42	78.56
Norway (25)	125.22	+2.8	100.03	110.26	2.63	121.75	98.47	107.50	132.23	98.59	107.97
Singapore (16)	120.26	+0.7	97.03	107.68	2.52	119.37	96.55	106.17	120.26	97.49	97.49
South Africa (60)	118.19	+1.3	95.36	94.81	4.85	116.66	94.36	95.33	139.07	98.26	134.21
Spain (42)	153.18	+0.1	123.59	130.78	3.13	153.07	123.81	131.16	164.47	130.73	119.88
Sweden (35)	137.43	+1.4	110.89	122.07	2.34	137.43	109.61	120.67	137.43	96.92	101.96
Switzerland (57)	78.44	+0.4	63.29	68.98	2.43	78.73	62.88	68.25	78.44	74.13	74.13
United Kingdom (318)	141.51	+1.1	114.17	114.17	4.61	140.02	113.25	113.25	141.51	120.60	121.40
USA (577)	109.70	+0.7	88.51	109.70	3.71	108.92	88.10	108.92	115.55	99.19	99.50
Europe (2080)	116.53	+1.0	94.02	99.78	3.71	115.35	92.29	99.04	116.53	97.01	99.71
Pacific Basin (680)	185.47	+0.1	149.65	143.18	0.73	185.33	149.90	143.10	185.47	130.81	137.12
Euro-Pacific (1688)	157.89	+0.4	127.39	135.94	1.62	157.32	127.24	125.61	157.89	120.36	122.19
North America (702)	110.15	+0.9	89.00	109.32	3.69	109.65	89.33	106.16	116.87	99.78	99.78
Europe Ex. UK (690)	100.89	+1.0	81.41	90.98	2.99	99.89	80.80	90.35	100.89	80.27	86.25
Pacific Ex. Japan (224)	124.88	+1.4	100.76	105.62	4.64	123.10	99.56	104.53	122.27	87.51	91.63
World Ex. US (1586)	126.14	+0.4	125.98	125.01	1.69	125.59	125.84	124.71	126.14	120.26	121.74
World Ex. UK (2145)	138.06	+0.4	111.39	120.43	2.06	137.50	111.22	120.03	138.06	111.77	112.32
World Ex. So. Af. (2403)	138.47	+0.5	111.72	120.00	2.28	137.84	111.49	119.54	138.47	113.26	112.98
World Ex. Japan (2007)	113.22	+0.8	91.35	106.00	3.75	112.27	90.80	105.26	113.22	100.00	99.82
The World Index (2463)	138.35	+0.5	111.62	119.83	2.29	137.71	111.38	119.37	138.35	113.37	113.12

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local). Copyright: The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited, 1987. Japanese market closed November 23. Latest prices were available for this edition.

US airline issues finally get off the ground

Oil price news has boosted stocks, but the outlook is uncertain, writes Janet Bush

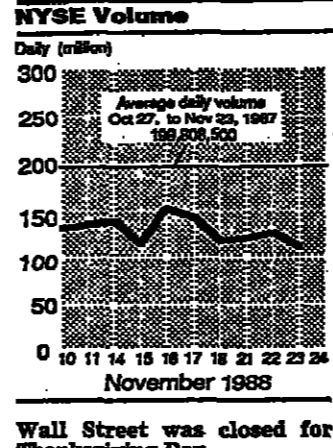
AIRLINE stocks in the US, looking ripe for a rally after a tremendous year for the industry, finally found the trigger on Wednesday as the rest of the market was thinning out for yesterday's Thanksgiving Day holiday.

News from the Vienna meeting of the Organisation of Petroleum Exporting Countries (Opec) that a full session of talks scheduled for next Wednesday had been postponed for a day sent airline stocks jumping.

UAL, the holding company for United Airlines, surged 35 1/2% to \$105 1/2, its highest level this year, as hopes were revived that Opec might not be able to stabilise crude oil prices. While other carriers performed in less spectacular fashion, it was the first sign of life in the sector in spite of a round of fare increases earlier this month.

Airline analysts had started to look on the sector favourably and UAL, in particular, benefited from reports from Morgan Stanley and Drexel Burnham Lambert, with the latter calling its shares significantly undervalued.

The US airline industry is heading for bumper earnings



Wall Street was closed for Thanksgiving Day

this year of between \$2.6bn and \$2.7bn, compared with \$2.2bn in 1987, buoyed by healthy traffic volumes, low fuel prices with Opec in disarray, and a less competitive pricing environment.

The outlook for next year is a matter of dispute, partly because prospects for crude oil prices are uncertain and partly because there is concern about a possible recession.

Mr John Pincavage, airline analyst at Paine Webber, predicts that earnings for the industry next year will only match this year's at \$2.7bn.

However, Ms Karen Firestone, who runs the Transportation and Select Airlines Funds at Fidelity, believes 1989 earnings could significantly outstrip this year's even if Opec does manage to bolster up crude oil prices.

Although uncertain economic prospects put any forecast at risk, she believes earnings could rise to more than \$3bn and that some airline stocks could be undervalued by as much as 25 per cent.

Ms Firestone predicts traffic growth of between 5 per cent and 5 1/2 per cent next year and, after the latest round of fare increases, has revised upwards her forecast for airlines' yield growth in 1988 from 1 per cent to between 2 1/2 per cent and 3 per cent.

She believes the industry is now acting in a more consolidated fashion after the fragmentation and bankrupting price wars in the period after deregulation and is fairly confident that the latest price increases can stick.

Successive fare increases early this year were reflected

in sharp rises in shares. In the year to date, the stocks of the main carriers generally stand more than 30 per cent higher, but most of that increase came in the first six months, thanks to heavy traffic volumes over the winter and weak fuel prices.

Shares usually reflect fairly closely fluctuations in fares, but this link did not seem to hold good recently when Continental set off a round of substantial increases. It scrapped

discount fares on advance purchase tickets popular with business travellers and then raised prices on many Mainliners used by leisure travellers. Northwest and United soon followed.

Ms Firestone estimates that the moves so far announced on fares could add around \$800m to the industry's revenues. Yet, even after Wednesday's price gains, the reaction to the fare increases has been less than dramatic.

Even as UAL rallied, Texas Air and Northwest seemed a little stuck. Texas Air closed at \$14 1/2 compared with a 1988 high last month of \$17 1/2, while Northwest shares closed at \$58 1/2 compared with the 1988 peak of \$66 1/2.

Mr Pincavage of Paine Webber puts this down partly to a "malaise in the general market, if it isn't a takeover stock, no one really cares," he said.

He also cited some nervousness about higher oil prices next year and scepticism, based on the days of vicious price wars, that the latest round of price increases will stick. "We will have to wait until the deep, dark days of January and February to see whether traffic holds up."

Economic worries beset Australia

Chris Sherwell in Sydney explains why the market is languishing

A COMBINATION of high domestic interest rates and concern about the international economy and world commodity prices has produced a languor in the Australian stock market that analysts feel is likely to continue into the new year.

The widely-watched All-Ordinaries Index fell back through the psychological 1,500 barrier on Thursday last week and finished yesterday at 1,498.9 after two days of slight gains. Though this is still significantly higher than its low for the year of 1,171, reached in February, it is well off its high of 1,657 on 9 August.

These two extremes in the index emphasise the way the Australian market remorselessly reflects international and domestic economic trends. Between February and mid-year, it was chiefly rising commodity prices and evaporating

worries about the post-crash economy at home and abroad which drove Australian prices higher.

Also helpful was the Government's mini-budget in May, which cut corporate taxes and changed the way pension funds are taxed. The overall result was that the Australian share market outperformed those of most other developed countries.

Since August, however, that position has reversed, and the market is now clearly underperforming for the same sort of reasons - namely, questions about the sustainability of commodity price and economic growth trends, and concern about the persistently buoyant domestic and world economies.

The latter in particular prompted a steady squeezing of government monetary policy. Earlier this month, the vice tightened sharply amid grow-

ing worries over the country's chronic balance of payments deficit and the failure of the inflation rate to go on falling.

Now, with cash rates driven above 15 per cent, investors are finding it more attractive to put their funds into bank bills rather than equities, a shift which reinforces the weak trend in the share market.

Those who are investing in equities, moreover, remain highly discriminating. The glory days of the paper-shuffling entrepreneurs are past, and even those with cash-generating core businesses, such as Mr Alan Bond, are having trouble attracting long-term institutional support.

The equity investor's focus is now on blue chip companies with diversified productive businesses, strong balance sheets, good earnings prospects and franked dividends.

At the same time, nervous-

ness is growing over the impact on corporate earnings of the strengthening Australian dollar and a probable downturn in the domestic economy.

One broking analyst points out optimistically that the price earnings ratio in relation to current 1988-89 earnings is still a historically low nine times, but he admits investors are displaying caution. As another says: "Investors are only looking two to three months ahead. Further than that, all they see is black."

In this climate, life is becoming increasingly difficult for Australia's broking firms. Trading volumes are low, and a significant proportion is due to brokers' own principal positions. The question now is whether the market will see a turnaround soon enough to prevent a shake-out. Few are holding their breath.

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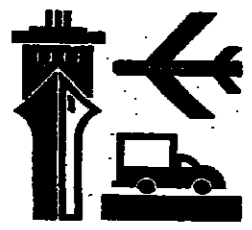
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FINANCIAL TIMES SURVEY



Business travel and entertainment is a boom industry with spending in Britain alone expected to top £20bn by the end of next year.

David Churchill looks at how the needs of the traveller are catered for in the UK and around an ever-shrinking world

An industry in top gear

THE WORLDWIDE business travel sector is booming. Executives are increasingly taking advantage of the growth in international financial activity to travel extensively in the search of new business.

By the end of next year, according to figures from American Express, the total business travel and entertainment sector in the UK alone will be worth about £20bn - making such spending worth about four times the amount spent by British companies on advertising and three times what they spend on rates.

In global terms, the amount spent by the travelling business executive is estimated to be worth at least 10 times as much - about £200bn - as the amount spent by Britons on business away from home.

The Economist Intelligence Unit, moreover, also estimated in a recent report on business travel that the total number of international business travellers in 1988 was 34m, with up to another 120m involved in business travel within their own countries.

More importantly, however, are the signs that the worldwide demand for business travel services will continue to grow into the 1990s. Four factors are relevant:

● **New Markets.** As business becomes increasingly international in scope, no company will be able to rely simply on domestic markets for growth.

● **European de-regulation.** The creation of the European single market in 1992 will inevitably lead to greater travel within member states.

● **Conference and exhibitions.** The strength of demand for conferences and meetings of all types - as well as specialist exhibitions - is one of the strongest segments of the whole business travel sector.

● **Competition.** Suppliers of business travel services - such as airlines and hotels - are increasingly recognising that the corporate customer often represents a better return than the low-margin leisure traveller.

The twin pillars of the business travel sector are transport and accommodation which in the UK account for some 70 per cent of all business travel costs. Worldwide, the EIU estimates suggest that the importance of these two sectors is even more significant - accounting for almost 80 per cent of all corporate travel spending.

The biggest revolution in moving business travellers in the 1980s has come from the



BUSINESS TRAVEL

belated recognition that executives need to be looked after when out of the office. Not surprisingly, British Rail's Inter-City travellers can now expect a significantly higher level of service - including free magazines, better catering, and mobile phones in some cases - than the captive commuter. But a decade ago British Rail seemed hardly concerned

where executives can leave it to an airline employee to park their cars - and improved check-in facilities. BA's success with its revamped Club Classes has spurred rivals to upgrade their business classes as well. Cathay Pacific's Marco Polo business class, is being relaunched this month some seven years after Cathay

seemed to be that business travellers were really only the rather seedy commercial travellers of yesteryear in another guise. Hotels in the 1970s paid scant attention to the needs of the travelling executive - such as facsimile machines, telex, secretarial services, and special check-outs.

Now, the world's leading travellers were really only the rather seedy commercial travellers of yesteryear in another guise. Hotels in the 1970s paid scant attention to the needs of the travelling executive - such as facsimile machines, telex, secretarial services, and special check-outs.

INSIDE. Hotels: Behind the boom, 2; **Costs:** Travel and save money, 3; **Travel agents:** Big four take lion's share, 3; **Incentive travel:** further expansion, 4; **US travel:** Study the rules, 6; **Airlines:** Service is the key, 8; **Car Hire:** Losing those hidden extras, 10; **Women executives:** Clubbing together, 11

about attracting the travelling executive who did not want to travel by car or plane.

The major development for the travelling executive, of course, has been business class seating on airlines. Again, it seems hardly credible that a decade ago such a system was still largely in its infancy.

Competition for business

differential. BA wants to ensure that the business traveller is wooed with even more than just extra leg room. New computer check-in technology, is enabling it to target key travellers more closely.

Other efforts to woo the business traveller include 'valet parking' at major terminals -

became the first airline based in Asia to introduce a business class on its flights.

The wooing of the business traveller by the world's airlines in the 1980s has gone hand in hand with the belated recognition by hoteliers of the importance of executive travellers.

For too long the prevailing attitude in the hotel industry

hotels offer a bewildering array of lures to capture and retain the loyalty of business travellers - everything from personalised bath-robos to a butler can be found.

The reason, is that business travellers now make up more than half of the world's hotel occupants. More importantly, they spend more on an average

than the leisure guest on food and beverages and, if their loyalty can be secured, they provide significant long-term business.

The buoyancy of business travel in the 1980s has been one of the key factors behind the revival of the world hotel industry in recent years. The economic problems of the late 1970s and early 1980s, and unclear marketing strategy, left many international hotel chains in the doldrums.

Yet the major international chains have developed policies based on the perceived needs of business travellers. The approach is to segment the market, offering budget, 'no-frills' accommodation to those business travellers for whom a clean basic room with no extras (such as room service) at the lowest price is a priority.

Similarly, other executives want greater flexibility than can be provided from traditional hotel rooms. Consequently, some hotel chains are

developing all-suite hotels which offer one or two bedrooms, a sitting room, kitchen facilities and work area.

The rejuvenation of the world's hotel industry as a result of the boom in business travel has led to strong demand for good hotel chains and sites. The Inter-Continental hotel chain, for example, was sold by Grand Metropolitan last month for £1.3bn to the Japanese conglomerate Seibu Saison.

The optimism within the travel trade about the buoyancy of business travel in the years ahead will be reflected at the World Travel Market exhibition which starts next Tuesday (29th) at London's Olympia. About 2,000 delegates are expected to attend this annual event which, according to the organiser Mr Ian Robinson, "provides the perfect opportunity for business travellers to discuss their needs, face to face, with a whole range of suppliers all under one roof."



Left: Concorde, the ultimate aircraft for the business jet-setter. Above: The Hong Kong Hilton and just one shift of the staff needed to run this top hotel

The Swire Group



Cathay Pacific gratefully acknowledges the participation of Mr Burke McKinney, Regional Marketing Manager of a major worldwide company, in testing the New Marco Polo Business Class.

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BUSINESS TRAVEL 2

Business traveller is behind the world boom in hotels

Catering for the executive anywhere in the world

THE DYNAMISM of the world hotel industry over the past few years - with the major international hotels chains much in demand - has been spurred on by the growth of business travel over the decade.

Sustained economic growth in the western economies during the 1980s, and the potential for developing new markets in the Third World and Eastern European countries, have been key factors behind the increased demand for hotel accommodation from travelling executives.

The boom in international hotels is demonstrated by the fact that between 1970 and 1986 the number of rooms offered by the top 20 international hotel chains almost tripled to reach 1.4m. Last year these same chains significantly increased their market strength by adding another 500 hotels worldwide.

International business travellers of all types now account for over half of all hotels rooms booked a year - with executives accounting for up to 80 per cent of occupancy in some up-market hotels located in business centres. The Mandarin hotel in Hong Kong, for example, which is part of the Mandarin Oriental Hotels Group, is within walking distance of 300 major companies and therefore attracts mainly business travellers.

The importance of business travellers to the hotel business is simple: they are a more consistent market than leisure travellers and are more willing to pay extra for higher-standard accommodation and in-hotel services such as restaurant and conference facilities.

But business travellers can also be fairly fickle when it comes to choosing their hotels - which is why the international chains are falling over themselves to woo travelling executives.

Such incentives fall into several categories: Services are provided free, such as complimentary drinks, gifts, full breakfasts, and even personal butlers. The latter service is offered at any of the 27 Oberoi hotels worldwide to frequent guests.

Faster check-in and check-outs for the busy executive. At the Vista International hotel in Pittsburgh, for example, a continuous video system enables guests to daily monitor their bills on their television screen and check out with just the touch of a button.

Business centres enabling executives to work while out of

the office. The St James Court hotel in central London, for example, has a business centre complex comprising three offices, two conference rooms, lounge, reception, secretarial centre and reference library.

Special deals for frequent guests. For example, the Hyatt Gold passport features more than 20 special services as well as extra promotions such as a chance to win a free holiday.

Budget and economy hotels have become one of the fastest growing sectors of the hotel industry, not only in the US and UK but in continental Europe as well. The French hotel chain Accor, for example, is bringing its Ibis and Novotel budget hotels to the UK over the next few years to capitalise on the market potential. Holiday Inn International is also developing a budget chain in the UK and continental Europe, called Garden Court

The scheme is based on points awarded according to the amount spent in Hyatt hotels.

This Hotel's Trumpcard system not only offers special services for the traveller but by using it as a payment card it enables companies to monitor travel spending as well.

While such incentives help encourage the frequent business traveller to stay loyal to particular hotels, the hotel industry has also taken note of changing trends and require-

ments from business travellers. The result has been a segmentation of the type of hotels on offer, designed to meet the needs of different types of travellers.

At the top end of the market, luxury hotels such as the Savoy Group, Regent International, and Mandarin Oriental are all much in demand for the senior executive who wants to stay in style when travelling

from business travellers. The result has been a segmentation of the type of hotels on offer, designed to meet the needs of different types of travellers.

Mr Jonathan Boddender, managing director of the Horwath and Horwath hotel consultants which has just published a major survey of international hotel occupancy, says that one of the main reasons for the boom in budget hotels was rising aspirations.

"Many business travellers who want to keep costs down may have put up with the old-style bed-and-breakfast accommodation a few years ago, but now they want something a little better that is within their price range," he says.

Berni Chef and Brewer hotels, part of the Grand Metropolitan group, is capitalising on this desire to trade-up by refurbishing its low-cost accommodation to meet the higher standards of the business traveller while still maintaining value-for-money prices.

Apart from luxury and budget hotels, another segment identified by the hotel industry has been all-suite hotels. These hotels, as the name suggests, provide a bedroom or two, sitting room, and kitchen facilities as well. They are ideally suited to business travellers who want a base from which to work and more flexibility and freedom than a normal hotel offers.

One of the clutch of all-suite hotels being introduced into the UK is Embassy Suites, a chain developed in the US by Holiday Inn.

The importance of business travellers to the world's major airlines has, not surprisingly, led to many airlines owning their own hotel chain. Aer Lingus, for example, last year acquired the Copthorne Hotel group from British Caledonian prior to BCal's takeover by British Airways.

BA, however, has traditionally eschewed owning its own hotel chain, preferring to develop close links with international groups - such as the Marriott - for passengers who need hotel accommodation.

David Churchill

HOTEL TRENDS 1983-1987 (All figures in %)

	1987	1986	1985	1984	1983
Source of business					
Domestic	50.7	52.1	50.2	51.2	51.3
Foreign	49.3	47.9	49.8	48.8	48.7
Repeat business	36.2	37.2	40.0	38.4	40.3
Composition of market					
Government officials	4.1	4.4	7.1	5.3	8.2
Business travellers	38.0	38.7	38.3	42.7	42.1
Tourist	38.0	34.4	34.4	26.4	27.3
Conf participants	12.7	12.1	10.5	13.4	13.2
Others	8.2	10.4	9.7	12.2	11.2
Advance reservations	83.1	84.2	82.7	83.4	84.1
Composition of advance reservations					
Direct	35.4	36.6	36.0	38.4	39.6
Reservation systems	23.7	24.6	24.8	30.0	28.9
Travel agents and tour operators	29.9	27.9	27.7	27.0	27.2
Other	11.0	10.9	11.5	4.6	4.3
Ratio of travel agent commissions to room sales	1.4	1.5	1.3	1.2	1.3

* Atlantic area. † Individual tourists and groups. Source: Horwath & Horwath

PAYMENT METHODS

How to pay your way

AS THE race intensifies to supply better financial services for business travellers, technological advances are also bringing big changes in traditional payment methods. Plastic cards, electronic payments processes and automatic cash dispensers are transforming payment systems for business people on the move.

Even so, the traditional twin pillars of travel financing - cash and the travellers cheque - have proved remarkably resilient to change. A decade ago, most business travellers would set off with a wallet of travellers cheques, whereas today there is increasing dependence upon credit cards and charge-cards to pay for airline tickets, hotel and restaurant bills.

While \$20bn will be spent by Britain's business travellers this year on travel and entertainment, the largest slice - some 62 per cent - goes on air fares, followed by 28 per cent on accommodation and the rest on entertainment.

Worldwide hotel receipts which amounted to \$140bn last year were paid for with a mix of cash, plastic cards and traditional travel vouchers. Figures from Statistix, a travel research institute show that \$43bn (30.7 per cent) of hotel payments in 1987 were made in cash, while \$42bn (30 per cent) was paid by credit card and \$32bn (23.9 per cent) was made in corporate and other payment systems.

Although cash is still king for many travellers, currency restrictions (especially for larger amounts) and the subsequent lack of security are some of the drawbacks with cash, says Richard Cullen, the head of product development with Visa International.

Even so, among West German business travellers, for example, cash is used for 21 per cent of hotel bills and 49 per cent of meals within Europe; while outside Europe, West German business travellers pay cash for 12 per cent of hotel bills and 19 per cent of meals, according to a study last year by Lafferty Business Research for MasterCard.

A survey this year by American Express, the charge card and financial services group, showed that 94 per cent of 771 companies surveyed give cash advances to enable executives to pay for some of their travel and entertainment.

Despite cash advances and the use of travellers cheques and charge cards, some 44 per cent of companies expect employees to fund at least part of their expenses and then reclaim them later, says the survey.

American Express believes that business travel cash advances are inefficient and costly - its answer, not surprisingly, is for companies to use a charge-card system.

Eurocheque, the multi-currency travellers' cheque which is now accepted at banks in 22 countries, allows users to write



With plastic, cash is available almost anywhere

out amounts backed by a cheque-guarantee card in local currencies.

The Eurocheque system was originally launched by banks from the Benelux countries and West Germany.

In West Germany and the UK, plastic card payments are now probably the fastest growing sector - 66 per cent of business expenditure at hotels and restaurants is paid for by plastic card, says Richard Cullen of Visa. "It is generally perceived that plastic is widely

The traditional twin pillars of travel financing - cash and the travellers' cheque - have proved remarkably resilient to change.

acceptable, easy to use and safer than cash.

"An added attraction for card-users is that currency exchange rates are calculated at an interbank rate, rather than the less favourable consumer rate," he adds.

Visa card-holders, for example, can obtain a cash advance at 160,000 bank offices in 157 countries. The network also operates an increasing number of automatic cash dispensers - 30,000 worldwide with 13,500 in Europe. Other international ATM networks are operated by American Express, MasterCard and US-based groups such as Citrus, Discover and Pina.

While the business travel payments systems is fiercely competitive, especially among such card-leaders as Visa, MasterCard and Access, Amex and Discover, no one product is ever going to take over the whole market, says Richard Cullen - "the way forward is to offer a complementary range of products which serve the needs of travellers, travel agents, service providers and banks - with a focus on global acceptability."

offered with this card are a minimum spending capacity of \$5,000 and a minimum of \$150,000 in travel accident insurance.

These products, together with Visa travellers cheques and travel vouchers, enable expansion into the travel and entertainment area. These travellers' cheques, introduced in 1979, and issued in 13 different currencies, are now claimed to be the second largest and fastest-growing travellers' cheque in the world.

Thomas Cook, the pioneer in travel money, introduced the concept of travellers cheques in 1874. Today, the group has 1,500 offices in 144 countries, while Thomas Cook Financial Services, TCFSS, claims the world's widest range of travellers cheques - over 125m are used each year - although these form only part of the travel money mix.

Status has long been a part of the appeal of financial service suppliers. Thomas Cook offers the Carte D'Or travel club for senior executives - benefits include up to \$2,000 travel debit facility at Thomas Cook and Wagon Lite offices.

Michael Wiltshire

WEST GERMANY

Boom time for hotel industry

EUROPEAN BUSINESSMEN involved in international trade often find themselves dealing with West German companies, either as customers or competitors. As the world's leading export nation and second largest importer, behind the US, Germany plays a central role in international business.

The West German economy has grown at a 3.5 per cent rate this year, far exceeding expectations and ranking 1988 as the best year of the decade. Business travel is also benefiting, with international business travellers common in every major German city. Part of that has to do with the spread of industry throughout Germany, with the leading car manufacturers and chemical companies widely dispersed across the countryside.

A recent survey by the Ennuid Institute revealed that an estimated 3.6m West German business travellers accounted for 68m domestic trips plus 5m trips abroad. That works out at 17.5 trips a salesman a year, and 46 per cent of them included one or two overnight stays.

That helps account for the hotel building boom throughout West Germany. Even Bonn has three hotels being built, and it still ranks as a small town on the Rhine. However, it can still be impossible to find a room in a city when a trade fair is being held.

Hannover's annual industrial trade fair in April attracts more than 400,000 visitors, and room rates go up at least 20 per cent but private accommodation, costing about DM50 a night, is often favoured by long-time fair visitors.

Even the biggest hotels per cent in charging higher "trade fair rates" which take advantage of the limited supply and excess demand. Munich's Hilton Hotel, for example, charges DM272 for a single room and DM342 for a double during trade fairs. The same rooms cost DM174 and DM228 at other times of the year.

The local tourist information office can usually turn up a more reasonable alternative in an outlying suburb, with many hotels providing a shuttle bus to the fairgrounds.

Frankfurt am Main, also known as "Mainhattan" because of its skyscraping bank buildings, is a natural entry point, thanks to its central location. The airport handles more than 100,000 passengers daily. There are indeed 12 West German airports with both international and domestic flights.

A new regional airline, Aero Lloyd, has just started a service to some of Germany's major cities, with prices about 10 to 15 per cent less than Lufthansa. But the national carrier provides the most frequent and comprehensive service, linking Germany to 160 cities worldwide. All major international airlines fly to Germany.

One of the nice things about the sprawling Frankfurt airport is the convenient railway station located beneath the main terminal. The gleaming yellow-and-white Airport Express train operated by Lufthansa swooshes along the rails four times daily between the Frankfurt and Düsseldorf airports, with stops at the train

stations in Bonn and Cologne. It is arguably the quickest way from city centre to city centre.

And rolling along the scenic rail route along the Rhine is a good way to see Germany and its castles anyway.

Another option is to catch one of the German National Railways (Bundesbahn) trains which also stop at the airport. The EuroCity and InterCity trains all offer first and second-class rates, with every-one meeting in the central dining car. With 22,000 trains operating daily and more than 2.2m passengers carried annually, the Bundesbahn knows its business.

Actually, instead of just getting from A to B, executives can also arrange to meet their colleagues on the train. Four and more riding together can arrange for a special conference room, where meetings can be held while you roll on to the next stop.

But executives from neighbouring countries often drive over. Brussels is about 2 1/2 hours west of Bonn. Another 90 minutes further south is Frankfurt.

Driving is naturally the most convenient way to get around. But a word of warning to those tempted to drive over: cruising

together with free accident insurance, membership on request of the Hyatt and Intercontinental hotels VIP clubs, car hire discounts and free passport and visa facilities.

Benefits from Thomas Cook's Frequent Traveller card include a \$50 personal cheque cashing facility, \$10,000 accident insurance and car hire discount.

One of the latest TCFSS developments is the Smartcash card, a development of the travellers' cheque in the form of a smart card incorporating a microprocessor.

The European currency unit (Ecu) travellers cheque - the brainchild of TCFSS - is useful for the traveller who is constantly crossing the frontiers of Europe. The Ecu is based on a basket of currencies in EC member states.

In a recent survey of Eurocheque users, the European-minded Belgians came highest with almost 49 per cent, followed by the Dutch with 32 per cent; the Italians, 8 per cent; the French, 9 per cent.

But Spanish buyers accounted for a mere 2 per cent, while the Brits were only marginally ahead of West Germany, accounting for 0.8 per cent and 0.5 per cent, respectively.

"Our findings indicate that either British business travellers have a remarkably hostile attitude to the Ecu and Europe in general - or they are simply not aware of the benefits an Ecu cheque can offer them," says Mr Jim Kane of Thomas Cook's Corporate Sector.

Business travellers prefer travellers cheques to any other form of international payment, according to a new survey commissioned by Thomas Cook.

In an independent survey of 359 senior executives from Britain's larger companies, 37 per cent said travellers cheques are their first choice in travel money. Credit cards came next with 29 per cent and foreign currency third, with 21 per cent.

Seven per cent of business travellers lose their travel money abroad each year, but there are no difficulties replacing lost travellers cheques, claims the report. Losses, when they happen, can be considerable - nearly a quarter of business travellers spend over \$500 per trip abroad on expenses and entertaining.

The surge of new plastic cards for business travellers also include hotel benefits club cards which offer benefits such as preferential reservations, rapid check-in and cheque-cashing facilities. Some have a point system, allowing members to redeem club points against travel costs and car rental services.

Dean Allen

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offered as a symbol of our improvements.



Hotels worldwide: Frankfurter Hof, Frankfurt Retaining that distinctive air

THE Frankfurter Hof is the Grand Dame of Frankfurt's hotels. Its sweeping front entrance has actually been closed off, with guests now entering from a less imposing side street. But the sitting room-like lobby offers a nice refuge from the hectic hustle of Germany's financial and banking centre.

The hotel first opened in 1876 and retains a distinctive air despite being part of West Germany's Steigenberger chain. With four restaurants, two bars, 38 suites and 360 rooms, the guest has everything he or she needs. The hotel's central location makes it the best bet for business executives. Most of the major banks are within easy walking distance.

The hotel provides a full range of in-house business facilities. And its fancy Restaurant Francais and more rustic Frankfurter Stubb rate as some of the better eating establishments in town. Its Roofgarten is a popular meeting place for business lunches.

In the lobby, with its couches and chairs arranged around coffee tables, a piano player contributes to the soothing atmosphere around tea time. For location and service and ambience, it is the best business hotel in Frankfurt.

Address: Bethmannstr. 53, D-6000 Frankfurt 1, Tel (069) 21502. Prices: single w/bath, DM185; double w/bath, DM430; presidential suite DM3,500.

Dean Allen

BUSINESS TRAVEL 3

How to travel and save money

Controlling the costs



THE BUSINESS of managing a company's travel and entertainment expenses is becoming increasingly sophisticated in terms of technology, manpower and support functions.

It's not a surprising trend when you consider that such spending is probably the third largest controllable expense listed in companies' annual reports and accounts and will exceed £18bn this year and £20bn by 1990, twice the amount paid in corporation tax and three times the amount spent on rates.

Most company's annual travel bill will split 55:45 on air fares/hotels and many companies concentrate on improving their purchasing power in these two areas. In addition, there are hidden costs like cash advances, cheque processing, administration and tracking down overdue expense claims that are worth keeping a closer check on. In a 1987 study on business travel and entertainment expense management by American Express it posed the question, "How many companies, know exactly how much money is outstanding in cash advances at any given time?"

Computers have simplified the paperwork involved with travel purchasing. Any company spending over £50,000 a year on travel would benefit from monthly management reports that business travel agents or credit card/charge card companies can provide. These can show a company's travel spend in many ways but chiefly by departments, name of traveller, mode and class of

travel, date of travel, and destination.

"The issue is to track what's been used against what's been offered," explained John Donaldson, managing director of the corporate sector at Thomas Cook.

Separate air fare savings reports will show whether travellers are travelling within their class entitlement as laid down in their company travel policy, so often, it's "oh, I'm flying long-haul so I'll upgrade to Business class."

"Air fares have a greater opportunity for savings, says Mr Brian Donnelly, development director at Pickfords Business Travel. "If you plan trips more in advance you can take advantage of cheaper APEX tickets or rationalise travel into one carrier and thus negotiate a route deal. More than 100 trips to particular destinations, particularly to the US and long-haul in general, will give you between 3 per cent to 5 per cent discount. Third world carriers are particularly keen to do it so too carriers on competitive routes like London/Atlanta or London/Dallas," says Donnelly.

If you're trying to cut annual accommodation costs then hotel bed night reports will show, for example, that executives aren't making enough of the corporate rate that has

been negotiated, which means missing a saving of around 10 per cent, or that they are staying in a too wide a range of hotels.

"A financial company in the City, reviewing its travel cost after the October crash last year, brought us in to save costs in over 20 destinations they were staying in", cites David Witham, director of Hogg Robinson's Hotel Service. "In New York, where the company had a large presence, they were using 28 hotels. Had they put all their business into one hotel, the InterContinental, they would have saved £30,000."

"All the top brass were given carte blanche but were rationalised down to six hotels in the city; two deluxe, two middle of the road; and two budget." Obviously, small amounts of business being done with lots of hotels is no good to any of the establishments. But rationalisation, the customer becomes a bigger customer and therefore rates can be guaranteed and probably a better rate too.

Most of the multiple travel agents have linked with US consortia or travel product wholesalers who, in turn, offer global coverage of hotel accommodation and, through booking millions of room nights a year, can pass on better-than-corporate rates. AT Mays has

links with Hickory, Hogg Robinson with Woodside - offering rates on over 14,000 individual hotels from a database of 55,000 hotels - and Pickfords with FTI for example. With one call to Cook's Hoteltech, over 5,000 hotels can be accessed at corporate rate.

Centralisation is one of the key mechanisms used to control travel and entertainment expenditure. "Clients can save more money by control than discounting," reckons Mr Edwin Ackers, managing director of Thomas Cook, Hoteltech. "Up to 40 per cent per annum, can be saved by virtue of carefully looking at clients' needs."

This particularly relevant in a multi-location company. "Often there is no communication between the divisions of the company of the negotiated deals but it can be rectified once the client has recognised the size of the opportunity," says Ackers.

One simple form of control is to issue a limited purchase card for travellers to use. In the aforementioned Amex survey it was revealed that some 42 per cent of the sample (71 UK companies all with 25 or more employees travelling abroad in a 12 month period) issue such a card.

Charge cards, for example, do away with the need for the accounts department to issue several cheques; instead, cash

flow is eased as the entire bill can be paid with one. It also stops thousands of invoices pouring through. And instead of the company paying the travel agent direct for bookings made on its behalf, usually against invoice (within 30 days on average) all travel is charged to a central charge card account in the client company name and held by the travel agent. This often extends the credit period by up to 60 days on this alone can save one per cent off the travel bill according to Diner club and Amex.

For the traveller, a charge card means supplementary insurance and a cheque cashing facility which negates the need for carrying cash.

Senior executives may be more profit conscious than ever before but suppliers still feel that they are not exploiting fully management information they have at their fingertips. "It's not the vast majority of companies that request the information as the majority can't find management time, there's too much striped paper," says Mr Donnelly.

Major manufacturing industries and new business sector concerns like finance, banking and advertising, are heedful of such matters but in other areas of business, there's still a long way to go. "As we get to know companies we find out how seriously they want to save money on travel and entertainment," says Mr Donaldson. "Some will go to enormous lengths, it depends on the philosophy of the company."

Gillian Upton

TRAVEL AGENTS

Big four take lion's share

BUSINESS travel agents evolved primarily out of the original shipping representatives and today command the lion's share of the business travel market. In the UK four major multiples - Hogg Robinson, Thomas Cook, Pickfords Business Travel and American Express - account for almost half of all business transactions.

The market has polarised into the majors because of the nature of the business travel market, a fast-changing environment that requires huge capital investment for new technology - particularly with the new computer reservation systems (CRSs) coming on stream in the next 12 months - in tandem with the sort of manpower that can access the information in minutes. In contrast, independents find it hard to compete with such muscle.

By virtue of their size the multiples usually come up with a more price competitive product and enough local branches to make it a personal service. "Suppliers favour business travel agents," says Mr John

Mr Watson of Hogg Robinson also points to another hazard: "Some travel managers don't like their companies going down the implant route as it puts their job at risk but the more switched on managers don't resist and see it as a positive step." Mr Donaldson, of Thomas Cook warns: "Where there's a fragmented relationship in the company's travel arrangements, i.e. perhaps the chairman's secretary makes the decision, it's difficult to get a good implant relationship."

Nevertheless, companies spending substantial sums of money on travel - who invariably have a full-time travel manager - frequently like to feel that their agent is on site. It allows consultation and responsiveness that cannot be achieved from an external site.

One company which has a long tradition of implants, 25 years in fact, is Shell. Managed by Pickfords for the last three years, the Shell Centre wields a travel budget of £2.5m a year for about 3,500 staff who travel extensively around the world, while at Shell Mex House, there is an additional £2m travel budget covering about 2,500 employees who travel mainly in Europe and the UK.

Over the years Shell has become more and more reliant on its implant. Initially used just as ticket providers, the implant has gradually released more Shell staff to go about their normal business. "The main point is that we can get tickets at the drop of a hat, so to speak," says Mr Jim Thomas, travel manager for Shell Centre. "It's the most cost effective way of handling our business."

Pickfords handles all the travel ticketing for Shell, that is air fares, rail and car hire. All hotel accommodation is booked direct. Pickfords provides monthly management reports, principally on its spending on air fares. "It's a 50-page document which splits its spend down by almost every combination you can imagine," says Mr John Munslow, the Pickfords implant manager at Shell. "The analysis is used a budgeting times."

For such centralised administration to work there has to

They all provide an analysis of how much has been spent and have become more like travel consultants.

be a formal, written travel policy for employees to adhere to. At Shell it clearly defines the class of travel for every employee who is entitled to business class travel - and Shell is fairly liberal in this area as it doesn't really use Economy class - or a class A car or a room in a five-star hotel. A business travel agent can help companies formulate such a policy then help to monitor it.

Such professional, unbiased advice is the bedrock of a business travel agent and is what sets it apart from the general high street travel agent. In the future, though, this type of management information may not come cheaply. "I think the probable evolution is a situation where the client may pay a fee for his business travel management service - just as he pays fees to other professional advisers to day," says Bill Jones, sales and marketing director of Hogg Robinson Business Travel.

Gillian Upton

For business travel in Europe there are now the P&O 'superferries' to get you and your car to the continent. Above is Captain Clive Wood master of the Pride of Calais and in the background is her sister ship the Pride of Dover



Black tie reception. Carriages 7.30 am.

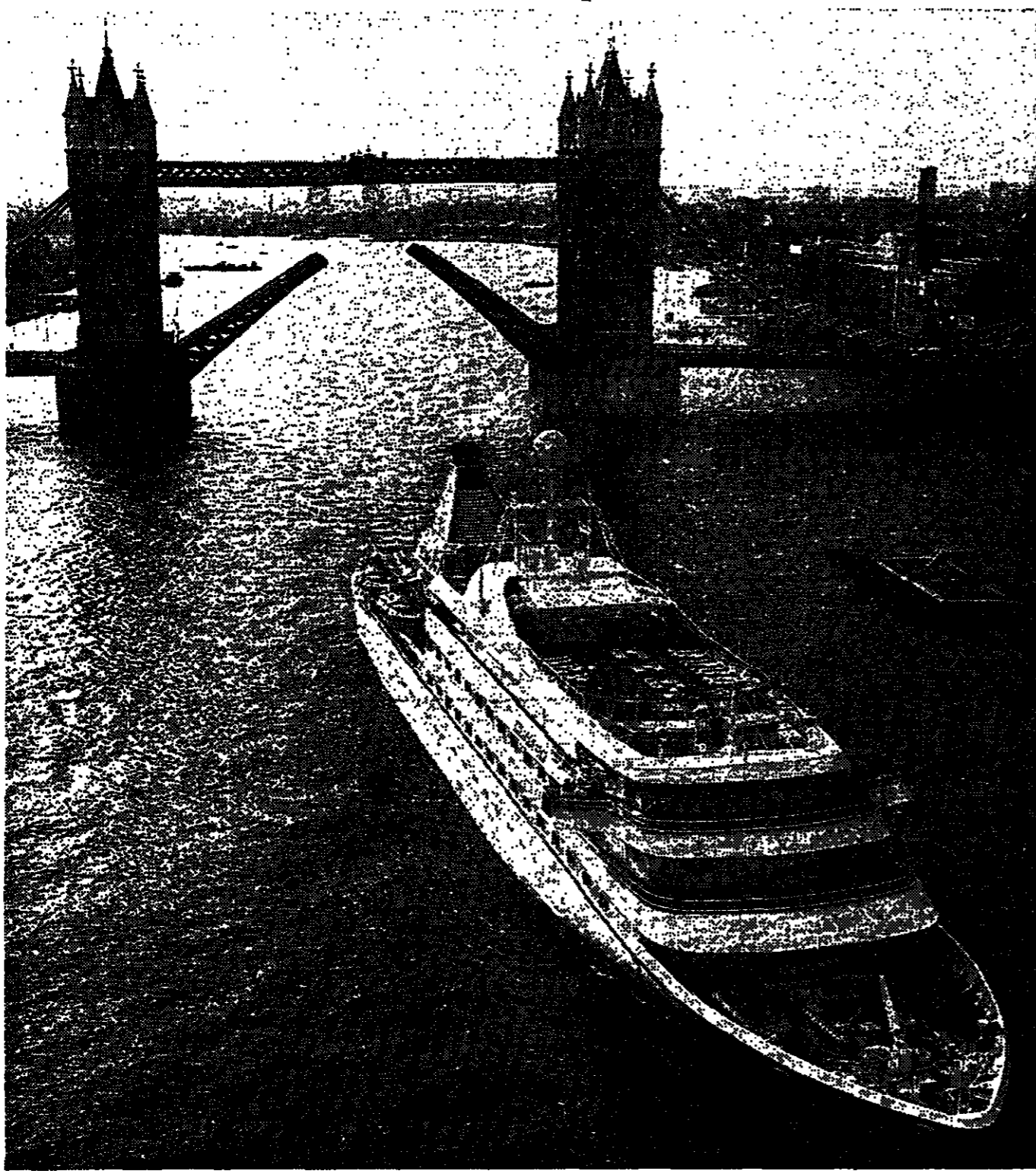
"Good morning sir. A little on the damp side today.
 Ah yes, your usual place by the window.
 Coffee?
 The Continental or Full English Breakfast today, sir?
 Perhaps some chilled grapefruit to begin. Porridge is not to your taste if I remember correctly.
 Fried egg. Would that be with mushrooms, tomatoes and bacon?
 More toast?
 More coffee?
 Yes. The telephone at the end of the compartment is free just now.
 Yes. Dinner is served on your way back.
 (I can recommend the Sole Maître d'Hotel with a Mâcon Villages).
 Yes. The Pullman Lounge at Leeds is entirely at your disposal.
 Yes. The Dales do look rather spectacular at this time of year.
 Yes. The orange juice and hot towels are, of course, complimentary.
 Yes. We shall be arriving in five minutes."
 Yes, when you've sampled the First Class service on any of the nine Pullman routes, you do feel rather good.

INTERCITY

BUSINESS TRAVEL 4

At least 20 per cent of international business travellers are on their way to or from a conference or exhibition

Incentive trips sector set for further expansion



Perhaps the ultimate in incentive travel: the Sea Goddess I which can be chartered for about £30,000 a day

AT LEAST one in every five international business travellers is travelling either to a non-corporate conference or exhibition or on an incentive trip. Domestically, the percentage is much greater - some trade estimates suggest up to half of all business travel is conference or incentive travel.

Accurate figures, however, are difficult to find as the meetings and incentives sectors are poorly researched and suffer from a problem of definition. Many so-called conferences, for example, are nothing more than thinly disguised incentive trips. Similarly, many meetings held in hotels throughout the world are really conferences but, because they involve staff from one multinational company, they are not classed as such.

Basically, the three main markets are:
 • Incentives: Organised incentive trips for UK companies are estimated to be worth some £280m this year in terms of the amount spent and demand is so buoyant that it is likely to grow to reach an estimated value of over £400m by 1990.

• Exhibitions: Spending by the 10m people who visited a UK exhibition last year was estimated at about £500m, although the newly-formed Exhibition Industry Federation is carrying out new research into the size of the market as a matter of urgency.

• Conferences: The UK market for organised conferences is worth at least £900m a year, according to figures from the British Association of Conference Towns.

On an international basis the Union of International Associations (UIA) reports that the number of meetings held by international governmental and private-sector organisations was about 6,742 in 1986, split fairly evenly between the two types.

However, while governmental meetings attracted an average of 50 delegates per meeting, private sector meetings had an average of more than 400 participants per meeting.

The buoyancy of business activity throughout the world in the 1980s has been the main reason for the boom in conference and incentive travel. Companies increasingly have believed in the importance of making contact and exploiting new markets - especially in the Third World - as well as recognising the need to motivate key staff with the lure of exotic travel.

The buoyancy of business activity throughout the world in the 1980s has been the main reason for the boom in conference and incentive travel.

Mr Dick Batchelor, marketing manager for the British Tourist Association said: "More and more companies worldwide are using travel to motivate their staff."

"Britain is now the favourite European travel destination for American companies, and is becoming increasingly popular with European and Australian organisations."

Incentive travel as a motivational tool for executives really only started in the 1960s as commercial air travel was developed. Nearly nine out of every 10 US companies who use travel as an incentive only began doing so after 1960.

Within European countries who use incentives, travel is increasingly becoming more important: comprising about 40 per cent of total spending on sales incentives in the UK and well over half in France and West Germany.

According to the Economist Intelligence Unit, which has recently researched the market, "both in the US and in Europe all indicators show that spending on incentive travel is growing at a faster rate than that on the overall incentives market, which in turn is outstripping the economy as a whole."

For Americans, Hawaii, Florida, the Caribbean, and California are the favourite short-haul incentive travel destinations.

For Britons, France and Spain are the top destinations, especially because of their

recent years in a number of new conference and exhibition halls has significantly improved the position.

The UK now has several purpose-built, 2,000-plus capacity conference centres. Some nine of these - at Brighton, Bournemouth, the Barbican, Wembley, Harrogate, the Birmingham NEC, the Royal Centre at Nottingham, Cardiff St Davids and the Scottish Exhibition Centre at Glasgow - have set up a marketing consortium (called the British Conference and Exhibitions Centre Export Council) - to promote their interests worldwide.

Yet there is also a growing trend towards smaller conferences and exhibitions and there consequently is a demand for these type of venues, especially located near to airports and major railway stations.

Country house hotels are increasingly being used for this purpose. "Country house hotels are filling the gap in the market created by many senior executives who demand stylish, rural surroundings, small meeting rooms and discreet service, and are away from the overcrowding of so many other conference centres," says Mr Michael Vero, marketing officer for the Pride of Britain marketing consortium of select country house hotels.

But growth in the conferences market is not just coming from senior executives who want to travel away from it all: the boom in training among companies of all types in the 1980s has created a huge demand for suitable venues.

Similarly, the exhibition industry is also experiencing a surge in demand for the smaller and more specialist exhibition, often targeted to a particular business group in a specific area or region.

David Churchill

Off the beaten track

When deep-fried scorpions are on the menu

ASKING your Chinese hosts to arrange a contract-crowning banquet on your behalf is a mistake that Jack Davis will only make once.

The *préce de résistance*, dark brown, salted, deep-fried in oil, and horrendously expensive, was a vast dish of scorpions. Whole scorpions. To be eaten with the fingers - "in fact, they didn't taste as awful as I expected, though the Chinese idea that they are aphrodisiac passed me by," he recalled from the doubtless dull but familiar surroundings of his head office in Hull, in Britain's east Midlands.

Jack Davis, marketing and sales director for the conveyor belting division of J.H.Fenner, has spent the greater part of the last decade slugging his way around China. The luxury and glamour that so many associate with international business travel are a far cry from the grim realities of securing two technology transfer contracts on the Chinese mainland.

From a first visit in 1979, as a member of a British Rubber Manufacturers' Association mission to China, Jack has travelled tens of thousands of miles across the mainland - and at 56, he has battle scars to show for it.

Like the overnight railway journey to Yichang, almost 2,000 miles up the Yangtze River in Hubei province, in temperatures well over 40 degrees Celsius, where the preoccupation was less a matter of what you ate than of what ate you - "I woke up in the morning smothered in red bug bites."

In hotels, endemic water shortages often meant that supplies were limited to an hour in the morning and two hours at night. Rats were often the only companions in hotel rooms: "It's hard to sleep at first, but you get used to them, gradually."

"During one negotiating visit to Yichang in winter, it was freezing, and there was no heating in the hotel where the talks were taking place. I was wearing a hat and amok indoors to keep my body heat up, but we were so cold we couldn't cope.

Eventually, the Chinese got us huge cotton padded overcoats, like peasants wear in the fields," he recalls, noting that this experience was not quite as awful as the combination of flu, and temperatures around minus 20 Celsius, that left him hallucinating throughout the critical final stages of contract negotiation in Peking.

The reward for these months of "exotic" travel was a major contract to build a factory in Yichang to make fire-retardant conveyor belting for China's mining industry. J.H.Fenner is a world leader in the manufacture of such belting, producing more than 1,000 miles of the stuff last year.

The company opted in China for a technology transfer deal, selling the manufacturing plant, rather than a joint venture or a deal to supply belting from outside the country - "inside China, life is so difficult, and joint ventures so new, that you are better off to get the cash up front if you can," he comments.

The view appears to be vindicated by the fact that today, a year after the factory was commissioned, it has hardly operated because no Chinese ministry is willing to budget foreign exchange for the polymers that have to be imported from Japan to provide the fire-retardant coating for the belts. J.H.Fenner was warning China's coal mining ministry of this problem from 1983 when the contract was first signed. If they had been a joint venture partner in the project, they would now have been watching a substantial foreign investment haemorrhage away.

There is almost no level at which disaster cannot strike while doing business in China. Jack Davis' experiences are typical of those suffered by thousands of foreign business executives who are so often imagined to be "swanning it" around the balmy Orient.

Air travel, as well as train travel, provides a multitude of nightmares. When Jack Davis waved goodbye at 8am to his hosts in Yichang after finally sealing his company's first Chinese deal, he

expected to be in Canton, and heading home through Hong Kong, before dinner that evening. After two numbing days at Yichang airport, at temperatures below zero, without food, and without information about what on earth was going on, his hosts arranged for a van to carry him the five-hour drive to Wuhan, the capital of Hubei.

A punctured tyre and 10 hours later, he arrived in the middle of the night in Wuhan, battering at the bolted doors of a dank hotel before finding anywhere to sleep. It took a further day of battling for air tickets out of Wuhan before he finally got airborne for Canton and Hong Kong.

"There were times I thought I would not get home for Christmas - it was wonderful to fly into Hong Kong, into the modern world again."

"And as for the time I lost my Lufthansa air ticket out of Peking - what a nightmare...I now staple air tickets to my chest."

"So China is not the best country in the world to do business in. In February this year, when I left after the last contract was signed, I thought 'Thank God!' - but by now, I miss it. Strange, isn't it? Maybe it's something to do with satisfaction coping with the hardship," he muses - noting at the same time that the "hard underground work" of visiting China's mines is now passed on to subordinate younger than himself.

"People back in the UK sympathise, and say it must be horrible, but I don't think anyone who has not been to China can really comprehend," he notes. Instead, the folklore will continue to have him basking in five-star luxury, tipping champagne dispensed by doe-eyed oriental air hostesses, or dictating memos with a pink gin in one hand in a deck chair under the shade of a palm tree.

Perhaps not a lot can be done about the folklore - but Jack Davis, for one, is not going to be caught a second time with deep-fried scorpion.

David Dodwell

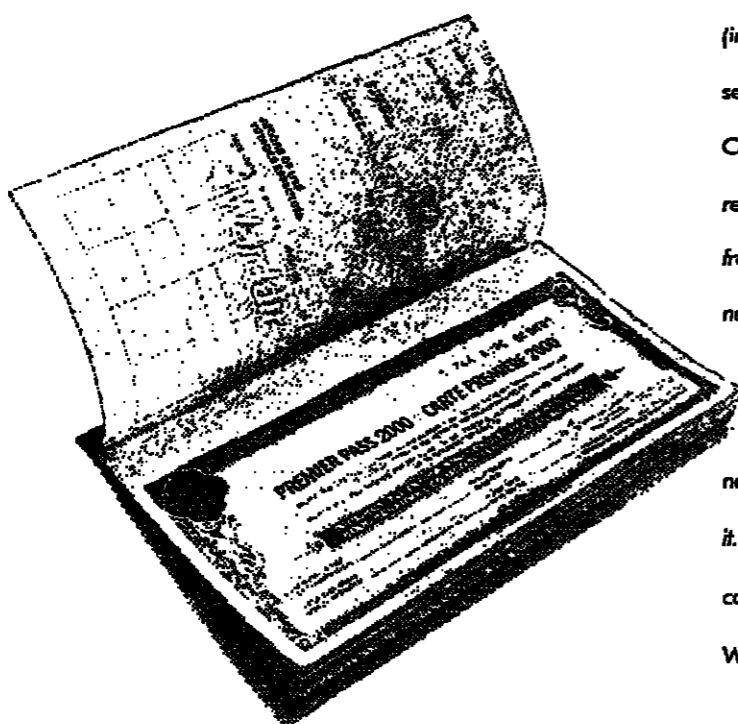
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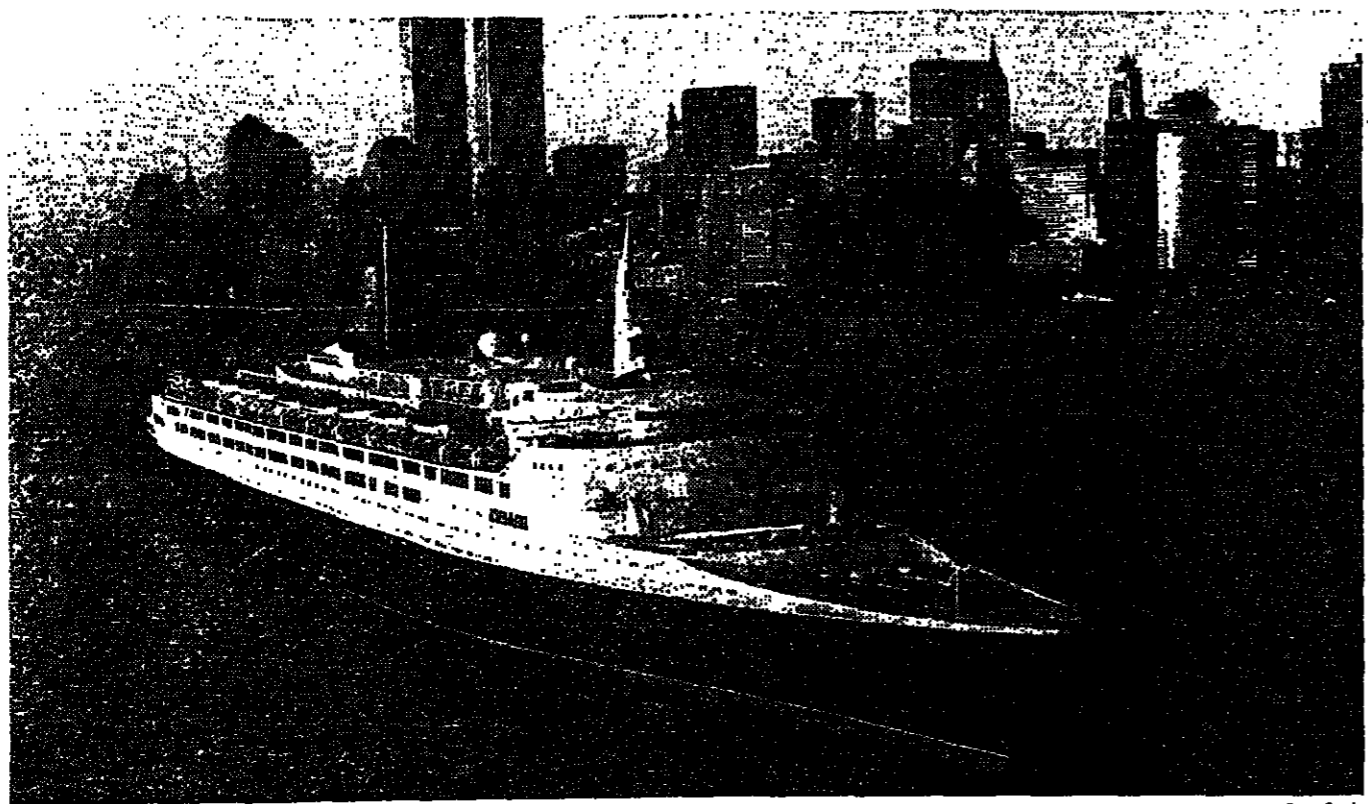
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BUSINESS TRAVEL 6



Spending five days crossing the Atlantic by ship does not mean being cut off: the QE2 has direct dial telephones, computers and fax machines. There is also a 'boardroom' which makes this liner popular for meetings and sales conferences

Hotels worldwide: The Carlyle, New York

An oasis of calm in a maelstrom

IT IS hardly original to admit to a fondness for the Carlyle Hotel after all the attention and accolades it has garnered in recent years. According to both Courvoisier's Book of the Best and Institutional Investor's Annual Hotel Guide, it is the best hotel in the US. And the Carlyle is the only five-star hotel in the city in Mobil's well-regarded US travel guide.

Such effusive praise is enough to leave one grasping for negatives. But they never materialise. The Carlyle is special - an oasis of calm in the maelstrom of New York.

This is no business hotel in the Hyatt sense of cavernous convention rooms and cascading waterfalls. The scale is small and very much part of the Carlyle's

charm. There are only 180 rooms for what the hotel's publicity department describes as "transient" visitors. The rest of the 500 rooms are for long-term residential guests, and the overall sense is one of a cosily stuffy gentleman's club.

Rooms are designed to be lived in rather than being strictly functional. Thus, while there is a desk with telephone (with three lines) in each room, there are also comfy chairs complete with standard lamps, reading lights over the baths (most of which are fitted with Jacuzzi jets), high quality tape-deck stereo systems and video-recorders in each room. Useful bathroom items such as hair dryers, shaving mirrors and scales are discreetly tucked away under the sink.

The Carlyle's low-key approach is popular with visiting celebrities. Among the stars in the hotel's firmament are Jack Nicholson, Walter Matthau, Jack Lemmon, Pearl Bailey, Sidney Poitier, Johnny Carson, Sam Shepard and Jessica Lang.

Nancy Reagan stays here during unaccompanied New York shopping sprees. (The hotel is too small to accommodate the full force of the Reagan security contingent.)

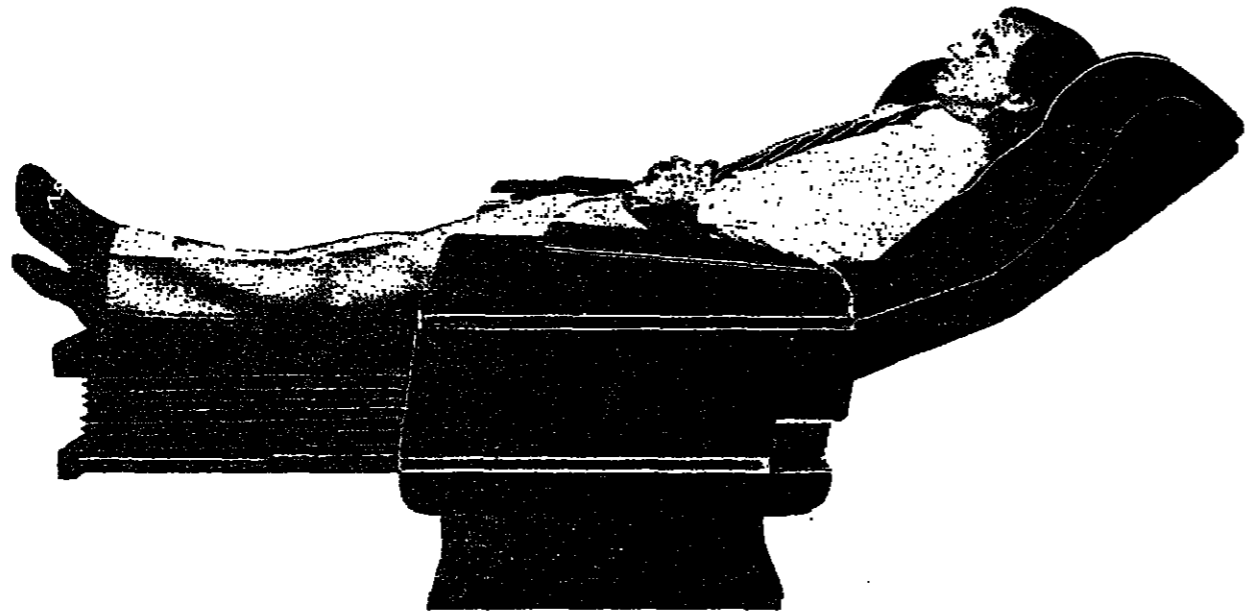
Room charges range from \$225-\$280 for a single to \$245-\$300 for a double.

The Carlyle (35 East 76th St, New York NY 10023; phone (212)744-1600; fax: 717-4682.

Karen Zagor



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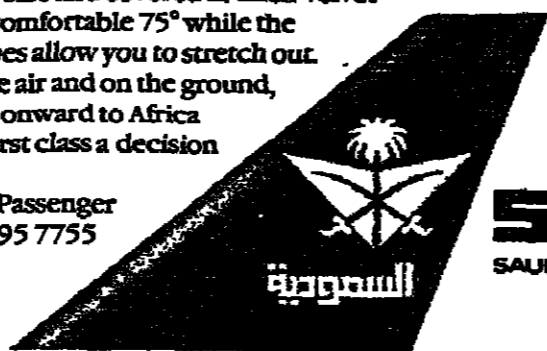


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US TRAVEL

It pays to study the rules

ACCORDING to Alaska Airlines' 'Conditions of Contract' (a compendium of airline rules, in all their minutiae), the carrier has the right to refuse to fly "persons who have an offensive odour (such as from a draining toilet or improper hygiene) or have a contagious disease."

This regulation, obscure as it may seem, is less a nod to the makers of deodorants than a necessary measure for transporting the wounded or ill from remote parts of America's northernmost state to better hospital facilities in Seattle, as the airline regularly does.

The rule is just one indication of the complexity of negotiating the unregulated skies of America - an endeavour which sometimes seems to require the tactical know-how of Napoleon and the patience of Robert the Bruce.

With each airline determining its own rules and regulations pertaining to everything from liability for damaged baggage to boarding rules, there is little to guide the air traveller. The cautious business traveller may find that it pays to look into more than comparative fares when planning a trip to the US.

Overcrowding of the runways and skies is the chief problem facing travellers of America's airways. The problem is widely recognised by interested parties from consumer groups such as the Aviation Consumer Action Project to the major airlines themselves.

In a speech to the Royal Aeronautical Society, Mr R.L. Crandall, American Airlines chairman and president said: "There is a deplorable lack of capacity caused by inadequate air traffic control systems and insufficient air-

US AIRPORTS WITH HIGHEST PERCENTAGE OF ON-TIME ARRIVALS

Airport	Total
1. Dallas, Fort Worth	90.8
2. Phoenix, Sky Harbor	89.5
3. Las Vegas, McCarran	89.1
4. Miami International	88.7
5. Tampa International	87.8
6. Philadelphia Int	87.4
7. San Diego, Lindbergh Field	87.2

US AIRPORTS WITH LOWEST PERCENTAGE OF ON-TIME ARRIVALS

Airport	Total
1. Detroit, Metro Wayne City	69.0
2. Minneapolis/St Paul	80.1
3. New York JFK	80.3
4. Memphis International	80.4
5. Newark International	81.4
6. Chicago O'Hare	81.6
7. Pittsburgh Greater Int	81.7

US Transport Department

FLIGHT ARRIVALS IN THE US

Scheduled time	Total %
8:00 - 6:59am	91.4
7:00 - 7:59am	90.3
8:00 - 8:59am	85.1
9:00 - 9:59am	84.2
10:00 - 10:59am	85.4
11:00 - 11:59am	83.2
12:00 - 12:59pm	84.3
1:00 - 1:59pm	87.0
2:00 - 2:59pm	88.1
3:00 - 3:59pm	85.4
4:00 - 4:59pm	84.7
5:00 - 5:59pm	84.1
6:00 - 6:59pm	82.6
7:00 - 7:59pm	80.7
8:00 - 8:59pm	81.8
9:00 - 9:59pm	83.7
10:00 - 10:59pm	85.3
11:00 - 5:59am	87.7

US Transport Department

port facilities." He added that "the world's governments - including the U.S. Government - are failing in their duty to build and sustain the infrastructure needed to accommodate aviation growth."

While safety in the skies remains the most discussed consequence of this congestion, the way in which it is likely to affect the business traveller on a day-to-day basis is in the form of delays. According to an extensive American Express survey of 1,900 companies, government and educational organisations, flight delays were considered to be the single largest cause for concern among 90 per cent of the companies surveyed.

Here, at least, it is possible to plan ahead. The U.S. Department of Transportation publishes monthly statistics of the on-time arrivals for airports, airlines and individual flights.

According to the figures for September, the best place to change planes is Dallas, Fort Worth, where 90.8 per cent of all flights in 15 minutes of the scheduled time. Conversely, Detroit's Metro Wayne City airport is best avoided, if possible, as only 69 per cent - or just over two-thirds - of flights landed on time.

As a rule of thumb, it pays to arrive at one's destination early in the morning. The likelihood of a flight scheduled between 6am and 7:59am arriving on time is over 90 per cent. At New York's John F. Kennedy International airport (JFK), an hour can make a huge difference - 87.3 per cent of flights slotted in from 8am and 8:59am arrived on time. Between 9am and 9:59am,

however, the figure fell to just 74.1 per cent.

Flights slated to land between 6pm and 8:59pm were the most likely to be delayed, overall. As few as 68.5 per cent of arrivals due at Chicago's O'Hare between 7pm and 7:59pm were on time for the month. More than 90 per cent of arrivals at Phoenix, on the other hand, were on time at the same hour.

If every minute is crucial, most travel agents and airlines have the previous month's on-time performance data on com-

With each airline determining its own regulations over almost everything, there is little to guide the traveller

puter for most flights and can compare the performances of various airlines.

Opting to fly into the smaller airports can also save considerably on time. Airlines like the maximum mileage out of the minimum number of planes by scheduling a large number of flights to coincide at their hub centres. This means that connections are easily made between flights on the same airline. But the end result is often chaos, as planes wait on the tarmac for empty berths and thousands of passengers in transit rush through crowded corridors.

By flying into Chicago's Midway airport, instead of O'Hare, for example, or Los Angeles' Burbank airport, instead of Los Angeles International, much of

the rush can be avoided. Major hubs include St. Louis for TWA - Kansas City for Braniff - Chicago (O'Hare) for American and United - Atlanta for Eastern and Delta - Houston and Denver for Continental and New York (JFK) for Pan American.

The Federal Aviation Administration (FAA) is not oblivious to the need for reform and will be spending \$16bn in the next decade to revamp the system. Of that, \$3.6bn has been set aside for new IBM computers to replace the current crop, most of which date from the 1950s.

It is hoped that the new computer will result in fewer runway delays as controllers will be able to handle more planes more effectively. The first computers will not begin to be replaced until 1992, however, and the full system is not due to be on-line until 1995. And with air traffic expected to double by 2010, few experts believe computer equipment alone will solve all air traffic ills.

The FAA believes that it is crucial to add to the existing airports by constructing several new air fields. However, the subject is fraught with controversy, since few communities welcome the idea of an airport in their midst. As yet, the sites remain undecided.

FAA funds have also been earmarked for an overhaul of the various radar systems, including the installation of Doppler radars which will be able to detect wind shear. Remaining funds are expected to be allocated in due course.

Karen Zagor

BRITISH RAIL INTERCITY

Sector shows a healthy growth rate

INTERCITY, the express flagship of British Rail, has about 10 per cent of the UK business travel market, and claims its market share is growing by about 7 per cent a year in real terms.

The figures are more impressive than they appear at first glance, since up to 85 per cent of business travel is by private car rather than competing mass transport systems such as the airlines.

Business travel accounts for about 35 per cent of InterCity turnover - around £280m last year - and is highly profitable, especially since half the total revenue is from first-class passengers.

With an eye on the other two-thirds of this market, InterCity's marketing manager Mr Mike Lancaster is at pains to deny that BR has any intention of turning itself into a "railway for the businessman".

But there is no doubt that British Rail is paying increasing attention to the business traveller, especially since InterCity ceased to be eligible for subsidies in April.

InterCity says business travel is less sensitive to price than to service quality and time. Mr Lancaster says: "What our customers are buying is the opportunity to work, sleep, eat and relax on their journey; price is much less important, even though first-class fares are usually cheaper than air fares."

Because of the time factor, BR's market share varies considerably from route to route. For example, there is little competition from the airlines on the shorter routes, such as London to Birmingham, where it can match airline times for city centre to city centre journeys.

But there is strong airline competition on longer routes such as London to Manchester and Newcastle where journey times are similar.

InterCity's weakest performance is on routes from London to Glasgow and Edinburgh where the train times of 4½ to five hours cannot match the airline service of less than three hours.

There are two ways of expanding the market, and InterCity claims to be attacking them both.

First, journey times can be cut by investing in faster

There is strong airline competition on longer routes

There is strong airline competition on longer routes

trains, and through electrification, especially of the East Coast Main Line from London to Edinburgh. By 1991, when this project is complete, the journey time between the city centres of London and Edinburgh will have been reduced from an average of around 5 hours to around 4 hours - described by Mr Lancaster as "within striking distance of the airlines".

There are other, less spectacular, ways of reducing running times, such as improving maintenance of both trains and track. For example, much investment has gone into a dynamic track stabilising machine developed by BR which cuts the period during which trains have to run at reduced speed over track which has been relaid.

The second line of attack is service quality, which Mr John Friddleaux, InterCity's director, says is his main priority.

At the top end of the market, the most obvious attempt to improve the quality of the product is the Pullman services, reintroduced in 1986, and now running between London and Sheffield, Liverpool, Manchester, Blackpool, Birmingham, Leeds, Newcastle, Plymouth and South Wales.

InterCity says it is looking at other routes where these premium services could be introduced, but they are unlikely to run to Scotland unless there is a dramatic increase in the volume of traffic.

There has also been an attempt to make travelling by train easier for the top executive by packaging with car parking, seat reservations and optional catering vouchers.

This marketing ploy, known as the "executive ticket", is perhaps aimed most directly at the secretary who books the tickets rather than their boss.

At the other end of the market, half of InterCity's business revenue comes from people travelling on standard class tickets - mostly junior managers and the self-employed.

In an attempt to expand this market, InterCity has introduced a "Silver Standard" service, offering guaranteed seat reservations and light meals in specially designated carriages.

"What the business executive wants is to be segregated from family and teenage passengers, in an environment where he feels he can work, and that is what we are trying to offer with Silver Standard," said Mr Lancaster.

InterCity says business revenue on the London to Liverpool route is up by 20 per cent this year, and Silver Standard is to be introduced between London and Manchester in January.

Kevin Brown

BUSINESS TRAVEL 7

**A hired aircraft is ready when you are
Take the queuing
out of flying with
a private charter**

FOR THOSE business travellers who wish to escape the flight delays now so often experienced at airports throughout Western Europe, they can do so by chartering a private aircraft or helicopter of their own.

Apart from obviating the problems of battling with traffic congestion en route and from a major airport, and the congestion encountered in the terminals, there are many other attractions in having one's own aircraft virtually immediately available.

One benefit is that there are far more small, private airfields available than there are airports, not only in the UK but also throughout Western Europe. These "general aviation" airfields cater for the smaller private aircraft, which means that businessmen can often land and take-off from airfields much closer to the factories or other locations they wish to visit than any scheduled airline service can reach.

Moreover, if a helicopter is used, the opportunities are unlimited, for such aircraft can land virtually anywhere - in car parks, roof-tops or playing fields, or on any area of open, unobstructed land. The consequent savings in time, including travelling time on the ground, are considerable.

The convenience factor is also paramount. An aircraft, whether chartered by the hour or the day or for longer periods, is a far more flexible vehicle than any scheduled airline aircraft could ever be. It is totally at the command of the

executives concerned, doing what they want it to do, when they want to do it.

The privacy factor is also important. The aircraft can be as small or as large as the charterer requires. It can be a small, four-seater cabin piston-engine aircraft, just big enough to carry the chairman or chief executive and his immediate aides, or it can be a little larger, seating perhaps

An aircraft, whether chartered by the hour or the day is a far more flexible vehicle than any scheduled airline aircraft

six to 10 executives, or even bigger - the number of different types available is considerable. The cost of chartering is, however, also immensely variable. Although it may at first seem high, it has to be set against many other factors, besides the saving in business class or even first-class air fares, and the cost of hotel bills for overnight stays. A potential hirer also has to be prepared to put a value upon individual executives' time, and also to assess the benefits of saving wear and tear on those busy and highly-paid individuals.

But, in general terms, the cost per aircraft mile is often competitive with the prices of business air fares, and when set against the other benefits accruing, chartering can often

prove to be cheaper.

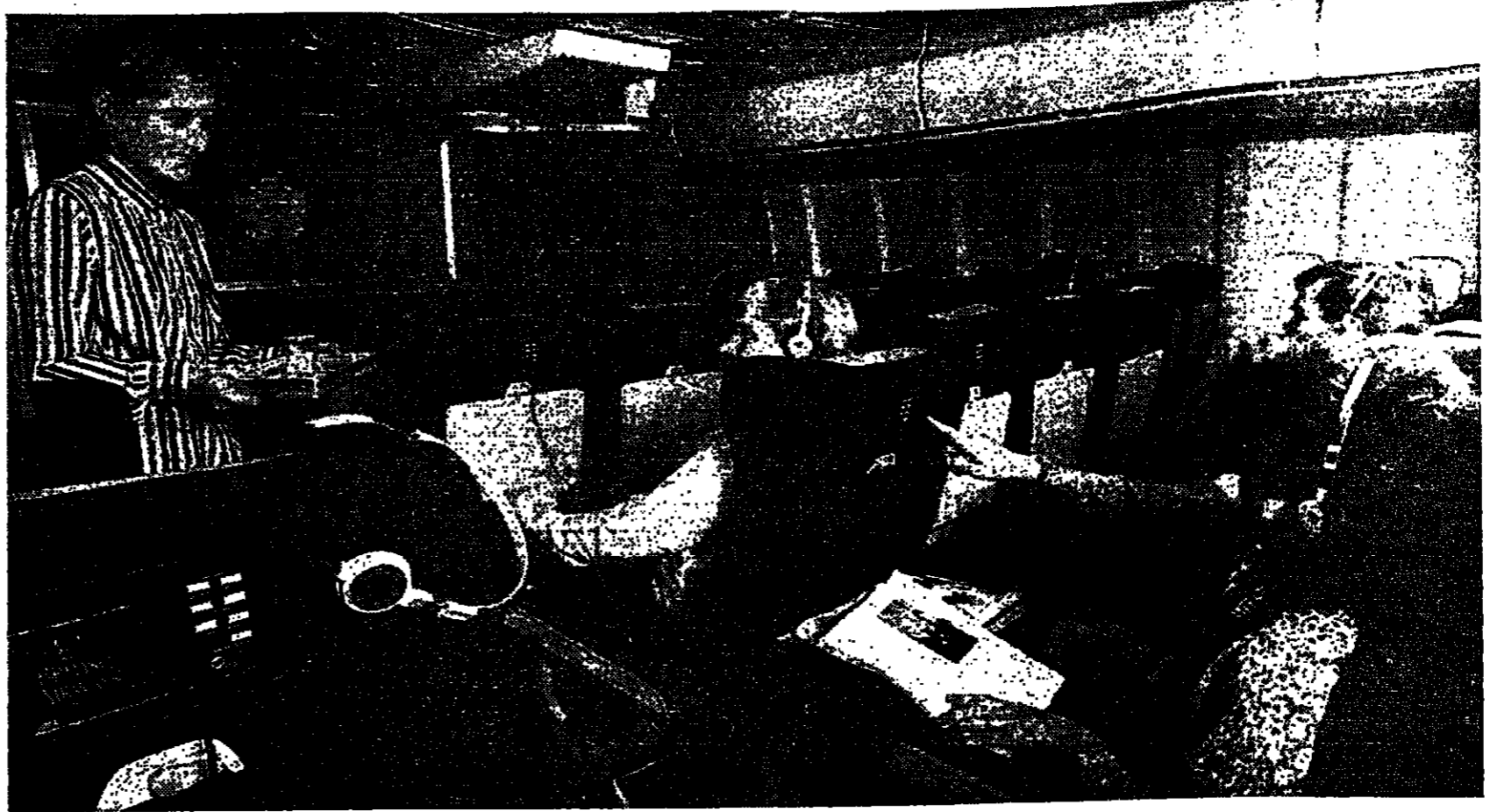
The problem is that most business organisations do not know how to go about finding such aircraft. But help is available from the Air Transport Operators' Association, which includes among its membership about 40 companies offering aircraft for hire, all governed by a strict code of conduct on their operations.

The Association can put prospective hirers in touch with an air transport organisation close to home that can usually quote a rate for a given task. The Association's members collectively have about 300 multi-engine jet, turbo-prop or piston engine aircraft, including helicopters available, and can fly their customers virtually anywhere in Britain, Europe or further afield.

The ATOA members also provide links with scheduled flights of airlines at major airports, together with such services as air ambulance, aerial photography, surveys, maintenance and other activities.

While chartering an aircraft is the most preferred course, some businessmen do fly themselves around. These, however, are the exceptions, who have taken to flying as a means of relaxation. Most businessmen, however, find it better to leave someone else to do the flying, so that they can get on with a business meeting, or study papers, in the comparative peace and quiet of their own business cabins.

Yet another option - that of a company owning an aircraft - is well worth considering if



British Airways, is installing personal video units so passengers have a wider choice of programmes or stereo music.

the organisation has much executive travel to undertake.

This is common in the US, but has been slower to emerge in the UK and Western Europe. It has taken a long time to eradicate the old idea that the company aircraft is the "chairman's toy", but it is significant that today more and more companies are adopting the more pertinent attitude that an aircraft is just as much a tool of management and thus ultimate profitability as any other tools they may use.

Here again, the costs of ownership, including paying for pilots and for maintenance and hangarage, although at first sight considerable, are in fact much lower than many compa-

nies might realise.

The secret of success is to cost the entire operation in minute detail before making any commitments, and to ensure that the correct aircraft for the tasks envisaged is bought. This includes a detailed study of where executives have flown over, say, the previous five years, and how much they have spent whilst doing so, together with an analysis where possible of how much more travel they will do over the years ahead. Against this can be set an assessment of the type of aircraft likely to

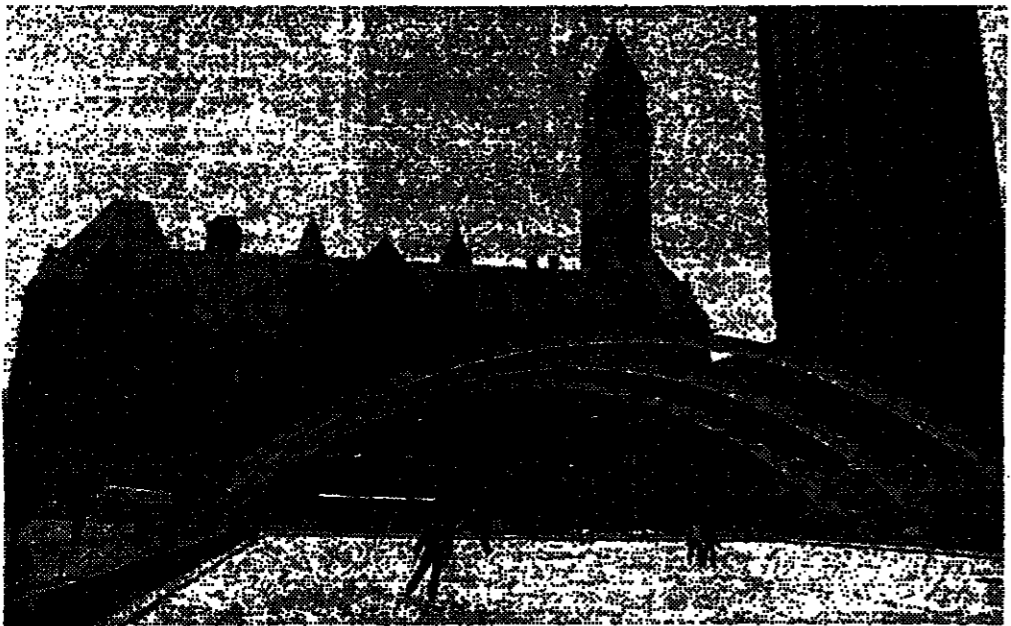
be required, and a detailed market study of the available types undertaken.

Too often, companies that would never buy a new machine tool, costing perhaps half a million pounds or more, without the most minute examination of costs and potential benefits, rush into aviation without any comparable analyses, and accordingly are either disappointed or upset at the results.

The best advice is to seek advice from the professional organisations who know the

aircraft market thoroughly. Here again, the Air Transport Operators' Association and the General Aviation Manufacturers and Traders Association exist to help, and can pass the inquiry on to either one or more of their own members, or recommend an independent consultant who can undertake the research. Companies which adopt this calmer, wiser course are more likely eventually to be satisfied with their purchase, and wonder how they ever managed to cope without it.

Michael Donne



The Old City Hall in Toronto

Hotels worldwide: King Edward, Toronto

**Desserts to impress
a Prime Minister**

WHILE STAYING at the King Edward during the Toronto Economic Summit in June, Prime Minister Margaret Thatcher was so impressed by the quality of a particular dessert, that she requested a meeting with the hotel's executive pastry chef, Mr Joel Gaillet.

In this diet-conscious age, convenience and central location may appear higher on the average businessman's list of priorities when selecting a hotel than the consistency of the crême anglaise. No matter. The sedate, distinguished King Edward excels in both categories.

In spite of its situation on King Street, at the very core of the city's increasingly frantic financial district, the 86-year-old hotel exudes an air of calm comfort.

Once ushered beyond the

formality of its recently refurbished, marble-clad lobby, the private quarters are surprisingly homely. Beiges and browns (the predominant colours throughout the building) combine with floral designs to create a relaxed atmosphere. Nor are the small touches neglected: bathrooms contain both telephone and hair-dryer the wardrobe light illuminates automatically upon opening the door.

The hotel, whose quiver of famous guests has also included Mr Jacques Delors, president of the European

Commission and the Beatles, boasts a full range of amenities from discreet, highly-rated bars and restaurants to 24-hour room service and a health club. Rooms are equipped with cable television and mini-bar. Secretarial services are available during office hours at a charge of £315 per page.

Room charges range from £315-£370 plus tax for a single, and from £320-£370 for a double. Suites begin at £350. Check-out time is a civilised 2pm.

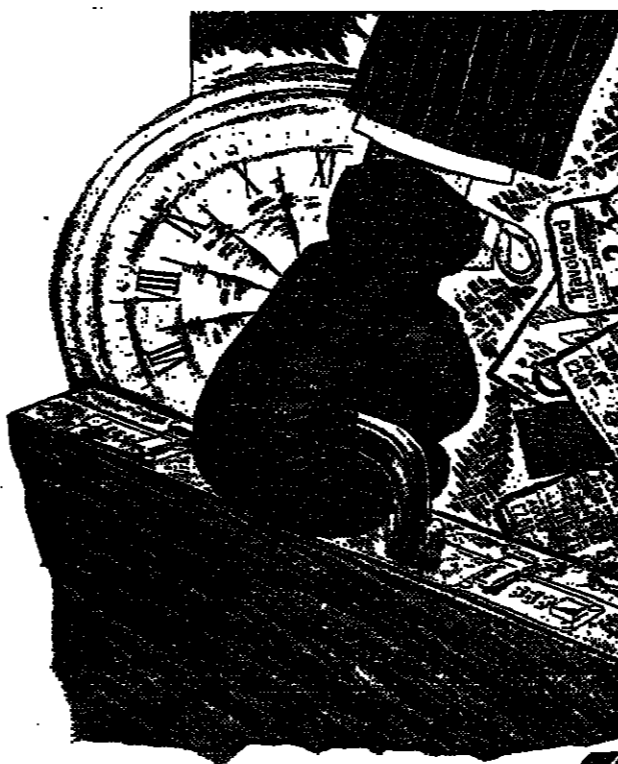
David Owen

Once ushered beyond the formality of its marble-clad lobby, the private quarters are surprisingly homely.

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BUSINESS TRAVEL 8

IN THE increasingly competitive climate of world air transport, the battle for the business class passenger is fiercer than it has ever been. Virtually every major airline in the world offers a wide range of inducements to attract these higher-fare and highly discerning travellers.

With many airlines committed not only to the same types of aircraft, and on many routes offering the same or near-comparable fares - although new airlines offer cut rates in order to carve a niche for themselves - the battle for traffic is centred largely on the quality of service offered, both in the air and on the ground at departure and destination.

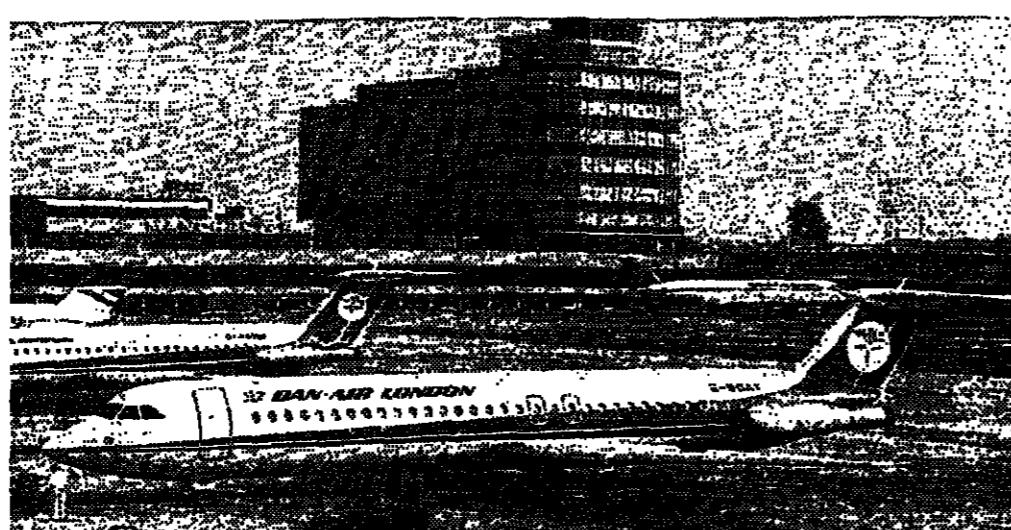
The ground element involves provision of separate airport lounges for business travellers, together with check-in desks that keep them apart from the congested check-ins used by growing numbers of lower-fare passengers, with later reporting times and sometimes other inducements, such as offers of special transport to and from the airports and opportunities to hire private rooms and secretarial services there.

All of these facilities are much appreciated, especially the exclusive lounges and check-in facilities. But they are peripheral to the business travellers' real needs, which are for very much better in-flight services than may be found on economy class.

Currently, in-flight quality varies widely not only between airlines, but also according to the length of journey. Business-class quality on long hauls is frequently much better than on short hauls, with considerable care and attention being paid to both to comfort and the standards of cabin service.

However, on some short hauls in Western Europe, many business travellers for some time past have argued that standards of in-flight service have been slipping, instead of improving. This has probably been due to the pressures of traffic growth, that have strained airline resources, but the fact is that some business travellers remain critical of what many airlines offer - the old adage that "the passengers are the reason for our business, and not an interruption of our daily lives" is becoming even more relevant in today's increasingly competitive climate.

But there are now signs of a significant change. The advent of greater liberalisation in Western European short-haul air services is eroding many entrenched airline attitudes,



A Dan-Air BAC 1-11: These aircraft are being used on scheduled flights into Europe

How the airlines fight for business passengers

Service is the key

albeit slowly, and forcing a reappraisal of what is offered. For example, within the past few weeks, airlines such as Air Europe and Dan-Air have introduced new scheduled services between Gatwick in the UK and several major cities on the Continent, with the prospect of more in the near future.

These airlines, offering significantly higher qualities of service (and in Air Europe's case lower fares also), have already begun to take traffic away from some of the other airlines which traditionally have dominated the short-haul markets. The latter are now being obliged to look closely at the quality of their own operations, to see where improvements can be made.

The most prevalent criticism on short hauls in the past has concerned seating, and although the newcomers to the European routes are now providing seats with more room for legs and shoulders, some of the longer-serving airlines are still offering seats that many travellers regard as inadequate for comfort, with passengers still often cramped three abreast on either side of the aisle, especially during peak travel periods of the day. This makes it virtually impossible to eat a meal or even read a newspaper in any kind of comfort, while working is virtually out of the question.

Hitherto, the predominant airline view has seemed to be that because journey times are much shorter in Western Europe, varying the quality of

seating between business and economy class is of little importance - that the business traffic will fly anyway, because it has to. But it is becoming apparent that where airlines such as Air Europe and Dan-Air do take positive steps to improve the quality of in-flight comfort, they pick up increased traffic.

Many business travellers also believe that the quality of in-flight cabin service on some airlines needs improving, for despite advertising claims it remains well below what many people regard as acceptable. One possible cause for this is that on some routes where competition (and therefore greater choice for the passengers) is not yet as fierce as on others, so many business class seats are offered, especially at peak periods, to cope with the load, that most of the aeroplane becomes, in effect, a business class cabin. Unless additional cabin staff are also provided, the standards of in-flight service decline because of the pressures of work involved.

On some short flights of less than an hour, especially in the late afternoons or early evenings, many business travellers would prefer another inch or two of leg-room or shoulder-room in which to fly in greater comfort, rather than be given meals.

Many business travellers are hoping that, as competition increases on Western European short-haul flights, especially as a result of deregulation

and liberalisation, more research into their views and needs will be undertaken, and that the overall quality of what they are offered for their money will be improved.

On long hauls, the situation is better, with the airlines recognising that because of longer journey times, seating comfort looms larger in travellers' minds. The result is that, in general, more consideration has been given to it. Coupled with a higher standard of in-flight service, this creates the overall impression that a long-haul business class flight is *pro rata* better value for money than its short-haul counterpart.

Even here, however, some travellers believe that some airlines are making their business class cabins too large, so that they are almost the size of

economy cabins, with much of the desired intimacy and privacy being lost. Some airlines customarily carrying substantial business class loads, however, are now redesigning their business cabins, with movable bulkheads, so as to overcome this difficulty.

Probably the biggest problem facing the business traveller today is choosing an airline that suits his or her requirements. With increasing liberalisation, more airlines than ever are flying on international routes where formerly there were only two flag airlines, so that the available choice is increasing. Selecting the most suitable airline must be largely a question of trial and error, for what one traveller may consider good may not satisfy another, while even a particular airline can vary widely in the quality of its cabin service between one trip and another.

But some help is available. The business travel magazines are useful in cutting through the vast array of advertising and other publicity material circulated by the airlines (with which even many travel agents find themselves swamped).

BAA (formerly the British Airports Authority) publishes a convenient pocket (or briefcase) compendium timetable for the scheduled air services at major UK airports, while the Pocket Flight Guides, published by Official Airline Guides, are also invaluable.

Another useful briefcase item is "A Question of Class", published annually at £3.50 by Hogg Robinson Business Travel Management, of Woking, Surrey, which analyses in depth all the facilities offered to first-class and business-class travellers by more than 30 major world airlines, together with details of lounge facilities, seating dimensions and other items of useful information.

Michael Donne

PARIS
Near bursting point

THE CITY of light could reach bursting point for hotel rooms next year as Paris awaits a larger influx of visitors, to celebrate the bicentenary of the French Revolution, than it has ever known.

Overseas visitors have returned to this spectacular city in force over the past couple of years - the fear of street bombs and fall-out from Chernobyl having long since become a distant memory. The growing numbers of business visitors, and Parisian world supremacy as a conference venue are straining the supply of luxury hotel rooms at the high spring and autumn seasons for fashion collections and trade fairs.

The professionals reject the theory of a structural shortage of four-star accommodation, pointing out that a minimum turnover is necessary year round for operators to stay in business. None the less, demand is tightening. According to figures from the National Restaurant and Hotel Association, occupancy levels in four-star Paris hotels increased 5 per cent between the first half of 1987 and 1988. This is particularly significant, since the massive bi-annual air show was held at Le Bourget last year and not this year and of course the position can only become tighter as France approaches the bicentenary events next July.

New hotels are springing up on the drastically under-supplied western and eastern edges of Paris, but strict planning regulations rule out almost all new building within the inner city. As a result, operators have to keep their

ambitions down to the size of existing buildings.

The business customer has become the priority for Paris hoteliers. The 400 bedrooms being renovated among the Montparnasse Meridien's 950 rooms will have work desks, and more hotels are adding secretarial and back-up services.

The Concorde Lafayette at Port Maillot claims to be the only hotel in Paris to have installed executive floors on the US pattern. The three-floor Top Club, opened in 1985, consists of 78 rooms and suites, a business salon with secretarial services, a priority check-out, and an assortment of personal touches to relieve the anonymity of the big hotels. Occupancy rates run at about the same level as for the lower priced conventional rooms.

The business customer has also become a priority for the national flag carrier Air France, now competition for club class passengers is a major headache. Several improvements to the services have been made recently, including a new cabin layout to give business class more privacy, a private bar, a wider choice of food and better wines. Before the end of this year breakfast will become a healthier affair than a croissant. Next year, new video monitors will upgrade the visibility. However there are no plans so far to introduce working facilities as some rival airlines are doing.

A third passenger terminal will be opened next spring at the main international Charles de Gaulle airport at Roissy, helping Paris towards its goal of becoming the European

'hub' for air travellers from North America and the Far East.

Paris has led the world for international business congresses and conferences for the past nine years, with 1,030 events in 1987, and has a number of projects under way to ensure it stays on top.

The CNTT exhibition centre in La Defense business tower district, west of the capital, is being entirely rebuilt on the inside to provide a congress centre, a business club, an auditorium, a 170-room hotel and a permanent high-tech exhibition area known as Infomart.

Sart S.A. the developer, is confident all the exhibition space will be let by the end of this year. A good six months before the inauguration. The Palais des Congres at Porte Maillot plans a vast extension by 1992, and the controversial Arche de la Defense - one of the many monuments being built for the bicentenary - will contain a conference centre. The Meridien Hotel at Montparnasse will open a 2,000 delegate conference hall in January with a satellite communications link through a France Telecom subsidiary, and the Centre Aquatique at the Porte de Versailles in western Paris, in spite of its name, will also have conference space among its multitude of facilities.

Although Paris remains No 1, France as a whole fell to second place last year as a place for international conferences of associations and other non-corporate organisations, behind Britain.

Apart from the bottom line economics that keep a city in the black, little can detract from the gastronomic joys of Paris. These can even make a trade from a ferocious tax driver worthwhile. Not that this particularly cantankerous species was the only target behind the advertising campaign staged in the Spring of 1987 and 1988 by the Ministry of Tourism. The campaign urged the French to treat tourists as they would treat each other.

However, this does not necessarily say much about harmony in international relations to anyone who has witnessed an average slanging match between Parisians themselves.

Barbara Casassus



Paris: Occupancy rates in four-star hotels are rising quickly

Hotels worldwide: The Ritz, Paris

A place of quiet refinement

THE RITZ in Paris remains one of the world's great hotels. Situated in the Place Vendôme, one of the most monumental squares of the French capital's city centre not far from the Opera and Madeleine business centres on one side and the Tuileries gardens, the Louvre and the Place de la Concorde on the other, the Ritz has long been a popular retreat for businessmen as well as film stars and politicians in Paris.

Its rooms are splendid, it has one of the best restaurants in Paris (two Michelin rosettes), its bar opens up in a quiet garden. There is also a long shopping arcade which links the Place Vendôme side of the hotel with its back entrance on

the Rue Cambon.

The Ritz also offers its guests a new health and sporting centre which has become particularly popular with health conscious American business executives.

The Ritz also provides in its elegant and quiet decor, excellent facilities for business meetings and large business receptions.

It remains, however, one of the most expensive hotels in Paris with prices of its 164 rooms ranging from about FFR 2,000 to FFR 3,000. It also has 45 suites which are even more expensive. But the hotel has a luxurious charm which sets it apart from most other grand hotels in Paris.

Lacking the bustle of some of the French capital's other grand hotels it offers its guests the quiet refinement of an opulent Parisian hotel, particularly, or town house.

In recent years, the hotel has invested considerable sums to refurbish and improve its facilities which combine all the needs of a modern businessman in an atmosphere of traditional Parisian luxury and good taste. The service is also one of the best of any five-star establishment in Paris. Whether you are a chief executive or an ordinary salesman, the Ritz will treat you like a king, for a certain price of course.

Paul Betts

Hotels worldwide: The Regent, Sydney

Keeping a 'leading edge'

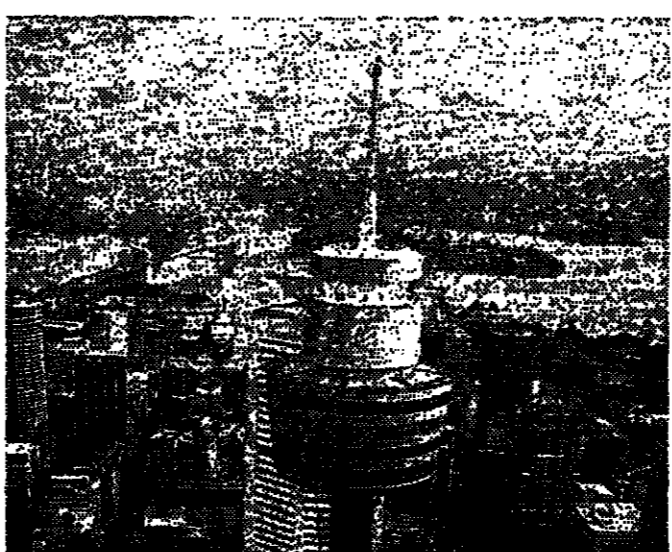
IT'S A sign of how competitive international hotels have become in the late 1980s that, in Sydney, where such establishments do not exactly blanket the city, the six-year-old Regent Hotel is undergoing a major refurbishment "to stay at the leading edge," as its public relations people put it.

The 320-room 26-storey Regent, located a brief stroll from the financial district and offering views of the Harbour, Bridge and Opera House, is Sydney's top hotel, according to Australian Business magazine, and ranks among the world's top 25 according to Institutional Investor magazine.

Its principal competitors in Sydney, both for the business traveller and the generally well-heeled, are the Intercontinental and Sheraton Westworth, also in the central business district, and the Sebel Town House, in zesty King's Cross.

But more new top-rate hotels are being built, so the competition will soon intensify further. Hence the refurbishment. Among other things that will bring a new telephone system, including a fax machine line in each room.

The Regent markets itself as the largest international hotel with the largest rooms in downtown Sydney, but do not conclude that the standard rooms are large. Likewise, though one of its hallmarks is quality service, you will find



Sydney: hotel competition is fierce

that in certain circumstances - the restaurant breakfast, for example - it can be so good it seems oppressive.

Better too much than too little, however, there is nothing like having your particular needs met. First time visitors to Sydney would also do well to remember that the big problem for all city hotels is the airport curfew. It means you should book your room for the night before you arrive, so that when you land (typically) first thing in the morning, you have immediate access to a bathroom and a bed.

It will add to the cost of your stay, of course, especially given the high Australian tariffs. But after an overnight flight you probably won't regret the extra expense, particularly if you are also expected to discuss serious business when you arrive.

The Regent, for all its short life, has already changed hands once. Currently it is owned by the EIE group of Japan, which paid A\$145m for it in 1985. The company is now sitting on an asset worth far more.

Chris Sherwell

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BUSINESS TRAVEL 9

PACIFIC RIM

Battle rages for the business customer

THE PACIFIC Rim travel market is experiencing an expansion that can only be described as spectacular.

The average growth in six key Asian markets between 1986 and 1987 was a remarkable 30.3 per cent. Preliminary figures indicate a similar rate of growth this year - "everybody wants to be in here," says Delta Airlines' Mr Bob Takigawa in a slightly Japanese-tinted American accent. "It's the market of the future."

United's report also pointed out that overall Pacific markets "are growing at double the rate of domestic markets." Most of the growth is being fuelled by an increase in leisure travel. For example, the Japanese National Tourist Organisation forecasts that more than 7m Japanese will holiday abroad this year. But according to most airlines the business traveller represents the solid foundation of growth.

Earlier this year, Sir Colin Marshall, British Airways' chief executive said that "business travellers represent about 50 per cent of our scheduled service passenger revenue."

Mr Geoffrey Tudor, a spokesman for Japan's national airline, Japan Air Lines (JAL) says while business travellers occupy only about 15 per cent of available seats they account for more than 30 per cent of JAL's total revenue. He calls the business traveller "the most profitable full fare ticket. They want maximum flexibility and they are willing to pay for it."

One of the most keenly competitive business routes in Asia is Tokyo-London. The battle between the airlines on this route is being waged, if not on the backs of international business travellers, then certainly on their bottoms.

The two major carriers on

United Airlines, jokingly calls Japan "our number one, number two and number three most important markets"

the route are British Airways (BA) and JAL - this spring, BA reduced the number of seats in business class to seven abreast while JAL continues to offer only eight across to business travellers.

Next year, however, competition is expected to get even tougher. Two new airlines will start servicing the route. British-based Virgin Atlantic and All Nippon Airways (ANA) of Japan. Both of the newcomers plan to offer six abreast seating in business class. That will mean more room for travellers but it will also reduce the number of seats and affect profitability.

"We'll be watching the impact of the new carriers very closely," says Mr Tudor. He says if either Virgin Atlantic or ANA make significant inroads into JAL's business traffic the airline will be forced "to modify our cabin seat configuration". In other words, cut the number of seats.

In an interim move in the battle for the business bottom, JAL plans to introduce a newly-designed business class seat - the airline is keeping the details secret, but it says the new seats will each include a personal, multi-channel television screen. BA is now experimenting with individual television screens on some of its flights.

While Tokyo-London and Hong Kong-London are impor-

tant routes the biggest business travel market is the trans-Pacific route. At least 15 airlines offer scheduled trans-Pacific service. Delta's Mr Takigawa calls the competition "awesome."

According to industry experts JAL has about 43 per cent of the trans-Pacific market, the two major American carriers United and Northwest Airlines share another 43 per cent. ANA has about 4 per cent and the remaining 11 per cent is divided up among the other airlines.

The biggest single destination is Tokyo. Mr Bob Leu, a Tokyo-based spokesman for United Airlines, jokingly calls Japan "our number one, number two and number three most important markets."

United became a major player in the trans-Pacific market in February, 1986 when it bought the Asian landing rights of cash-strapped Pan American World Airways. Mr Leu, with a touch of predictable corporate pride, calls it "the best US airline acquisition ever."

US-based Delta and American Airlines have both recognised the importance of the Asian market and began offering Japan-US service just more than a year ago.

Perhaps surprisingly, a battle over the number of seats abreast in business class has not developed on the trans-Pacific route. And most airlines would like to keep it that way. As one senior official from an American airline put it "reducing the number of business seats across the plane takes away from first class and takes away from profitability."

"We don't want to start a fight and we hope no one else does." While Asia-Europe and Asia-North America are key business routes travel within Asia is also important.

Mr Duncan Pring, a spokesman for Hong Kong-based Cathay Pacific Airways points to heavy traffic on the Hong Kong-Tokyo, Taipei-Tokyo and Seoul-Tokyo routes. Mr Pring attributes the growth to the fact that business in "the whole Asia-Pacific region is growing faster than the rest of the world."

He points to "the most spectacular growth in north Asia" and predicts it will continue. That is a view shared by Mr Tatsuzi Ichiki, the publisher and editor of the influential Tokyo-based Modern Tourism magazine.

He predicts that South Korea will become "the number one growth market, in terms of percentage increase". In Asia, he says Korea's booming economy, plus the fact it is removing most travel restrictions in January, will contribute to the growth.

In an effort to serve the business traveller better most airlines are planning to acquire the new Boeing 747-400. The aircraft offers a longer range while more heavily loaded than existing 747s. That means more non-stop flights, a boon to the business traveller, can be scheduled.

Besides individual television screens, many airlines have started experimenting with satellite communications. In October last year, JAL transmitted the front page of a Japanese financial daily newspaper to an aircraft in flight. Perhaps ominously, it carried news of the October stock market crash.

When the technology is further developed, and JAL for one is talking about introduc-

ing satellite communications service "late next year or early in 1990", business travellers should have a full range of telecommunications services available in flight. That will include telephone, fax and computer links.

Many airlines identify on-ground service as an area in which competition will pick up. As an example, in Tokyo, Finnair offers chauffeured service to Narita airport for qualifying passengers - "we're going to see more of that kind of thing," says Cathy Pacific's Mr Pring.

But the major trend in Pacific Rim travel is the widespread belief that the ebullient market will continue to grow, reflecting the strength of the Asian economies.

The Japanese Government in an effort to help reduce its trade surplus has set a target of 10m Japanese overseas travellers by 1991. That figure could be reached as early as next year. In its 1987 annual report United Airlines is also optimistic, predicting a 15 per cent average growth in the Japanese market for the next five years.

Tokyo's top hotels have their differences but not in quality of service



Geoffrey Elward Deliciously dangerous: the fugu fish is a Japanese delicacy but wrongly prepared it can kill

Where to find a western-style breakfast

TOKYO'S top hotels have their differences. The Okura has an unmistakable air of Japanese elegance. The Imperial is rather more international, while the Palace Hotel is somewhat more restrained.

Such distinctions figure prominently in hotel sales brochures. But the busy executive should rest assured that in all three of these establishments the quality of service will be more or less the same in their essential elements, including the provision of 100 per cent genuine Western-style breakfasts (something which cannot always be taken for granted, even in Tokyo).

Above all the reliability of the telephone operators is virtually guaranteed - nothing distinguishes the requirements of the business traveller from those of the tourist more than a need to rely on a faultless message service. As a result, a good criterion for choosing a hotel in Tokyo should be location. The city is a difficult place to get around, especially for first-time visitors. Taxis are plentiful - but so are traffic jams.

Okura (except for those planning to hire a chauffeur) should think carefully about their daily schedules. The Okura is reasonably close to Kasumigaseki, the government office centre - but it is also perhaps a little too far (five minutes' walk) from the nearest underground station.

The Palace is in Marunouchi, so within walking distance of many of the corporate offices which an executive may want to visit. The underground is a short walk away, but a disadvantage of the Palace for some is that Marunouchi is a rather 'dead' area at night.

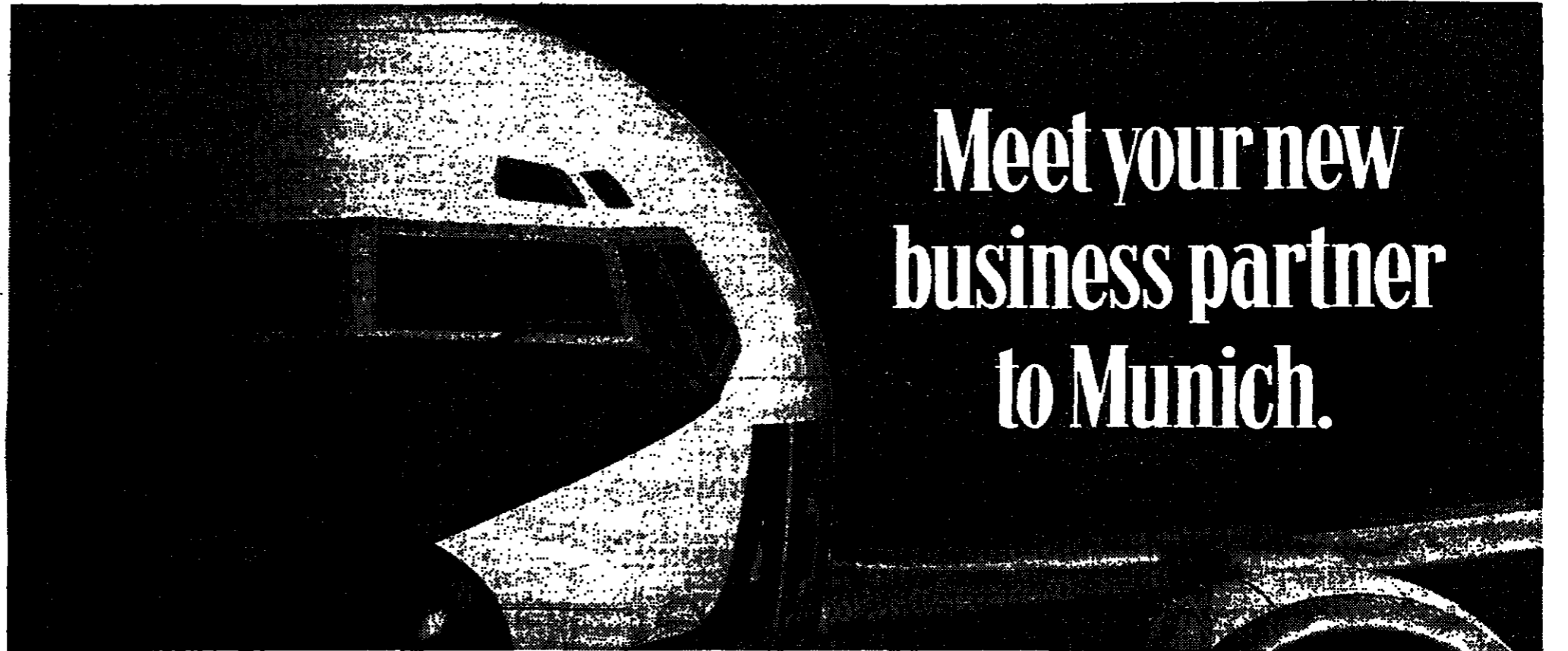
This leaves the Imperial, which stands between Marunouchi and Kasumigaseki and virtually on top of a large underground station. It is also a few minutes' walk away from Ginza, a shopping and entertainment centre.

If you stay at the Imperial, it will cost ¥14,000 a night for one person, plus 10 per cent service charge, plus 10 per cent tax. The cost at the Okura is ¥16,000; and the Palace, ¥13,500.

Stefan Wagstyl

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AE46	1645	1840	NOT SAT	AE45	1730	1730	DAILY
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AE32	1315	1515	MON-FRI	AE31	1100	1100	MON-SAT
AE26	1745	1935	NOT SAT	AE33	1700	1700	MON-FRI
AE28	1945	2145	NOT FRI/SAT	AE27	2020	2020	NOT SAT
AE30*	0820	1035	SUN ONLY	AE31*	1200	1220	SUN ONLY

From 23 October 88 to 24 March 89 *Operated by Short 360 Aircraft

PACIFIC RIM TRAVEL

	INBOUND & OUTBOUND		% INCREASE
	1988	1987	
Japan	7,577,710	8,994,202	18.5
Business only	1,380,894	1,545,778	-11.9
Hong Kong	3,733,347	4,501,889	20.5
Business only	658,059	850,415	23.2
Singapore	3,181,053	3,678,209	16.2
Business only	403,474	456,357	13.1
South Korea	2,114,946	2,385,039	12.7
Business only	423,243	497,021	17.6
Australia	1,429,400	1,784,900	24.8
Taiwan	812,928	1,058,410	30.1

NOTE: All figures provided by Tokyo-based travel bureaus of each government. Business only figure represents that part of the travelling public which identified the purpose of its trip as only for business only purposes. Inland only. Business only figure for Australia and Taiwan not available.

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BUSINESS TRAVEL 10

CAR HIRE

Companies do away with those 'hidden extras'

ONLY 12 per cent of UK adults have ever hired a car and only 6 per cent a van, according to a study compiled for Budget Rent a Car last November. But in the US more than 50 per cent of adults have hired a car or van.

That puts the expansion drive of the four leading UK companies - Europcar, Hertz, Avis and Budget - in perspective. Collectively, they have much ground to make up.

But even Avis - which claims top place just ahead of Europcar - accepts that the market is fragmented, with the top five, including Swan National, the Trustee Savings Bank subsidiary, accounting for less than 50 per cent of the business among them.

The keynote behind "Avis Goes for Growth" is the introduction of simple, all-inclusive price tariffs with no hidden extras. The slogan being used is "the price you see is the price you pay" - and that price includes time and mileage, collision damage waiver, personal accident insurance cover and tax.

Not surprisingly, its competitors claim to be fully able to match Avis. Europcar - which also proclaims itself the UK's largest car rental company - offers a "Business Plus" package which features fully-inclusive daily car rental rates, starting at £48 on a range of standard, executive and deluxe vehicles. The only additional charge is for petrol.

Hertz, meanwhile, has launched a Business Class programme, which a casual observer could be forgiven for assuming to be much the same as its competitors. You may rent a Ford Fiesta from the company for £49.50 a day. Hertz, too, makes much of its "no hidden extras" claim, while with Budget's Business Travel programme - not underpriced compared with its competitors, but aiming to offer "more car for the same" - the only cost the businessman need worry about is that of filling up.

Avis says it is the only car rental company to offer all-inclusive prices across all its published tariffs. All the leading companies seem to be moving

in the same direction, but it is a good thing that the customer is being offered a simpler choice and no longer faces a series of barely comprehensible "add-ons" when returning his car.

His car? According to Hertz, at least 80 per cent of its clients are men.

And quite a few of these male business travellers will want to make use of car phones. Avis has launched a new mobile communications division to provide at no charge portable or in-car phones in a significant number of its cars, especially those catering for the business traveller.

Surprisingly, Hertz does admit to being number two in some respects. Its network of 130 stations does not match the 180 owned by Avis. But the BR deal could prove the spur to an ambitious expansion plan which would increase the number of locations to 250 within 12 months.

Avis is fighting back. It is looking to a network of 300 stations by 1992 and hopes to

achieve it by opening a station on average every 1 1/4 weeks. And its acquisition of C.D. Brummell has made it a significant figure in car leasing.

All the main rental firms say that they try to provide whatever the customer requires. Nevertheless, Avis has recently signed contracts with Vauxhall and Austin Rover. According to its publicity, "Hertz rents Ford and other fine cars." Budget, too, while claiming to offer a full choice, stresses its strong ties with Ford. And Europcar offers a wide range while centring, in the UK, on Renault, Ford and Rover for its Business Plus service.

The executive travelling abroad may want to leave the car at his destination and return by some other means. Europcar has a one-way rental service between key cities in 18 European countries and Israel and offers a similar one-way service between locations in

other countries for periods of three days or more. Similar deals are available from other leading car rental companies, including Budget, which claims to be the market leader in the Middle East.

Eliminating the time it takes to process a rental agreement form is another area in which the major companies have been active. Avis has introduced Roving Rapid Rental at British Midland lounges, while Europcar's Super Service Card holds all the renter's necessary details and requires only one imprint on the agreement form, thus ensuring the busy traveller has a quicker departure and no billing worries.

Europcar claims it is the only car rental company to run a frequent traveller programme. Every time a Privilege Plus member hires a Europcar vehicle, he receives points which can be redeemed against luxury or practical goods, or special car rental packages.

Among other benefits are discounts and superior accommodation at all Hilton National and International hotels. Similar rental agency deals will, of course, pay a significant part in determining which car rental firm many executives use on their stay. Thus, Budget's major clients include British Gas, Appleyard, the Ministry of Defence and (another part of the track) British Rail (Scotland).

Avis, according to Mr Bill Kirkwood, its sales manager, "wants to become the McDonalds of the car rental business." Now you have to be 22 to hire an Avis car (Hertz says it is the only international company to rent cars to 18-year-olds in the UK). How old do you have to be to eat a hamburger?

Yet, amid all these signs of euphoria, it is worth listening to one note of caution: while Hertz's expansion plans are as ambitious as any, it does not see the UK market as growing very much - it expects most of its growth to come from its competitors, and of course that includes the small independents.

Gabriel Bowman

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Gabriel Bowman



On line: Keith Dyer regional vice president and managing director of Avis. The company is putting phones into many of its cars to attract the business user

When visiting Italy's economic centre it pays to book in advance

Options can be few in Milan

THE BUSINESS traveller visiting Milan generally has precious few options as this is a city which, despite its fame as Italy's economic capital, is short on hotel beds.

Thus, rule number one is to book as far in advance as possible, otherwise you will find yourself caught in a pension on the outskirts of town as armies of fashion-buyers or machine-tool salesmen flood

Milan during its frequent trade fairs.

Although international bankers tend to favour a stay at one of the deluxe Ciga hotel chains in the Piazza della Repubblica, such as the Principe or the Palace, these are large, impersonal and cold five-star hostels.

A better bet if top-of-the-scale luxury is essential would be a stay at the Excelsior Galia near the train station, which is more tasteful than the Ciga hotels and once

played host to the likes of Ernest Hemingway.

The best and most central place to stay in Milan is the Grand Hotel et de Milan, which is located a few paces away from the Scala opera house and just near Via Montenapoleone, the luxury shopping street which makes even Bond Street look tawdry.

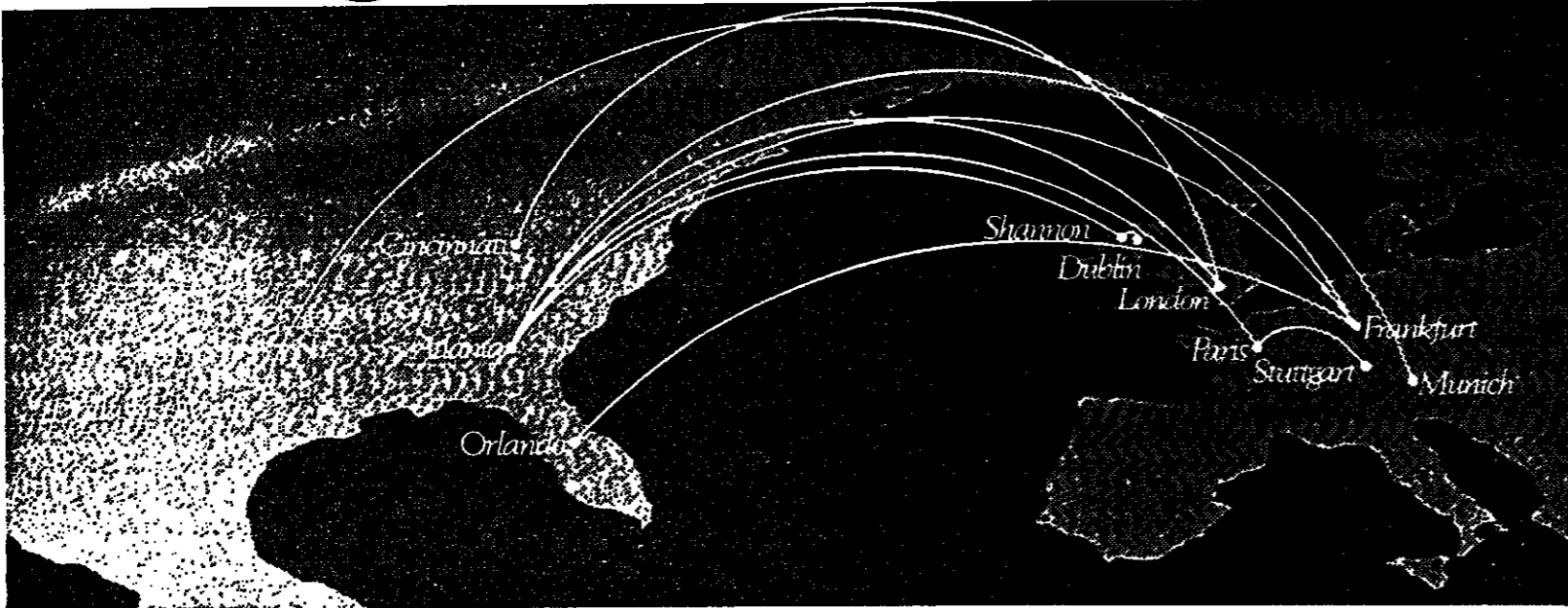
The Grand, although it lacks a restaurant and has slightly rickety service, is undoubtedly Milan's most charming and old-world hotel. Its fin-de-

siecle bar is filled with a mixture of the business and fashion sets, its rooms (always ask for a double, even for single occupancy) are furnished in decaying Victorian splendour and in many ways this is Milan's version of New York's famed Algonquin.

The Grand is functional and fun - and for opera buffs one can even book Room 107, where Giuseppe Verdi lived, worked and died.

Alan Friedman

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Hotels worldwide: Maurya Sheraton, New Delhi

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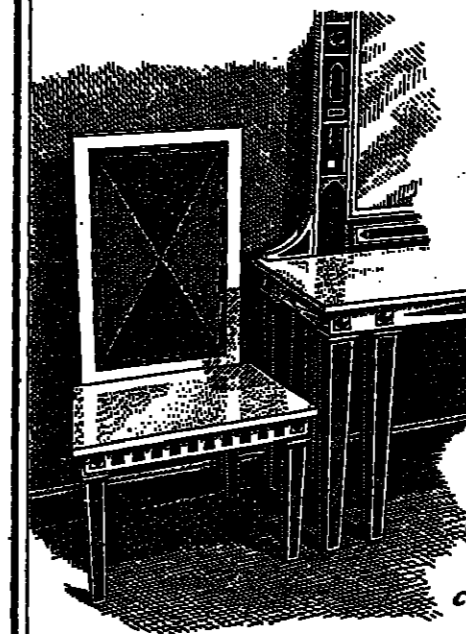
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TAJ INTERNATIONAL HOTELS



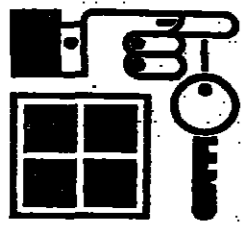
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QANTAS

10/11/10

FINANCIAL TIMES SURVEY



As the UK property industry sees new opportunities, chartered surveyors have led the way in

expanding research capacity. Institutional investors need information before risk-taking and rely on computers rather than gut feelings, says William Cochrane

Objectivity takes over

THE UK property industry has seen a surge in rents, values and development plans since the City of London office market led off the present boom in 1985. Now there is fierce competition for development deals, with property companies in the van; this has opened the way to new and complex financing structures and the increased presence of overseas banks or investors.

All of the participants need to do their homework. So the professionals, most commonly firms of chartered surveyors, have been expanding their research capability, often in parallel with the introduction of financial services divisions; at the same time, chartered accountants and their management consultancy offshoots, banks and law firms are looking for their share of the action.

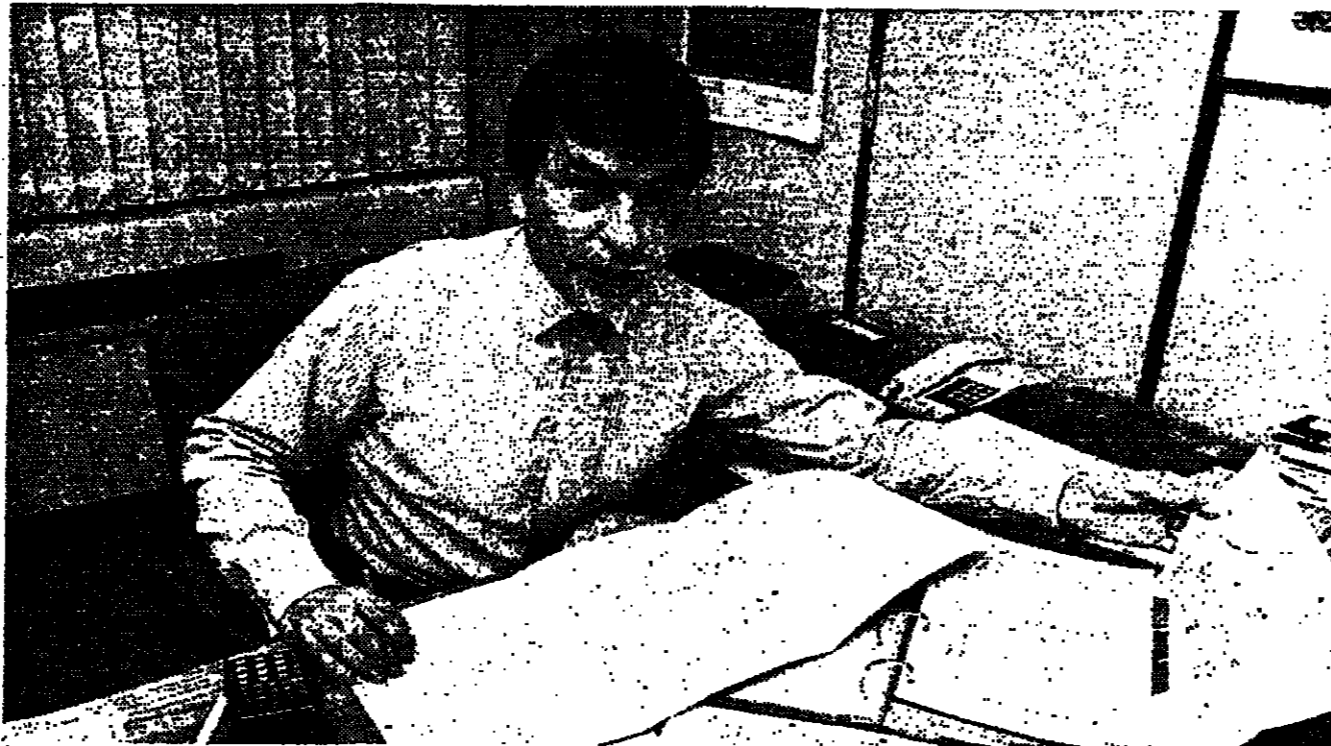
"Into this arena," says Mr Michael Nicholson, "have come the suppliers of third party information and research, together with providers of time-saving computerised information systems. Both have found a ready market." Mr Nicholson serves the market as founder of Property Intelligence, and its Focus on-line property database.

"The growth of these companies has been phenomenal," he says. "Around five years ago there were only 20 companies specialising in this area, whereas now there are almost 150." Mr Nicholson adds that recent research sponsored by the Royal Institution of Chartered Surveyors into land information systems suggests that there will be over 21,000 jobs for property researchers over the next 10 years.

Mr Iain Reid, head of research at Richard Ellis, notes that the RICS has also estimated the growth of researchers employed by surveying firms at 75 per cent in 1988, with a further 35 per cent projected for 1989. He is now asking for a 20 to 30 per cent increase in his team, currently 25 people.

So there is plenty of growth, in quantity. This leads on to the next question. Parallels have been drawn before now between the growth of property research in the 1980s with the cut of the equity 20 years earlier. By the middle to late 1960s, the latter was producing stockbroking research of increasingly high calibre. Is the quality of property research of that level?

Only just, says Mr Paul



Iain Reid, head of research at Richard Ellis, plans to enlarge his team

PROPERTY RESEARCH AND INFORMATION SYSTEMS

Orchard-Lisle of Healey & Baker, the surveyors; its managing partner responsible for investment and research from the early 1980s. As senior partner today, he has the same specific responsibilities at managing partner level; but, he says, it is only now that he is prepared to put his research team into the front line.

He is pragmatic about the number of people involved. H & B's total of seven researchers, rising prospectively to 10, is modest by some standards.

H & B also has links with the specialist firm, James Morrell Associates, on the economic forecasting side. "As a firm," says Mr Orchard-Lisle, "we are inclined to give contracts to outside bodies or academics - quite closely written

contracts, so that we get research on exactly what we want. That gives us objectivity, and avoids us having an enormous staff."

Objectivity also led surveyors Bernard Thorpe, says Mr John Eley, a partner, to commission Applied Property Research and Corporate Intelligence Group, the market researchers, to ascertain potential demand for high quality office campus development in the M4 corridor, to the west of London.

Mr Geoff Marsh, founder of APR, was known for his studies of office decentralisation from his time at Jones Lang Wootton. APR itself has been working on business parks for some time. Bernard Thorpe, presumably, was able

to put a credible pitch to a prospective client.

People have questioned how long APR's perceived independence will last, now that it is a subsidiary of a notable and sizeable developer itself, in the shape of Rosehaugh. Mr Marsh said after the bid that his information business would continue to grow, with Rosehaugh treated just like any other client, and that his consultancy work was likely to gravitate naturally towards his new parent.

The universities continue to make a good contribution. The Department of Land Management and Development at the University of Reading is currently addressing the management of property assets with a study which is still at an early

stage; from the same address, the College of Estate Management has recently completed research on the utilisation of property, and on the development prospects for Peterborough, commissioned by the Peterborough Development Agency.

But it all comes back to people, and quality. It is perhaps instructive that the new head of research at surveyors St Quintin, Mr Peter Damesick, was previously employed in the management consultancy practice of Coopers & Lybrand. A higher value is being placed on property research, and the researchers. It will need to sell higher-priced merchandise to pay for its new status, but its ability to do so may be open to debate.



Sourcebook author Mary Moody

All-in guide

THE FIRST comprehensive guide to property research, The Property Information Sourcebook* by Mary Moody, was due off the presses this week.

The Sourcebook will be an annual guide to all the leading sources of research and information within the commercial property industry.

Ms Moody is the principal of Mary Moody Associates, a specialist property research and information consultancy which is just about to move to Rotherhithe, in south-east London. She has worked for the Department of the Environment, Jones Lang Wootton and the London Docklands Development Corporation; as an independent she has set up a research library for Hillier Parker, and a property database for Kleinwort Benson Research in the City of London.

Averaging two or three reports to a page, the book lists reports, splits them up by subject and location and describes the key points within them - "enough," thinks Ms Moody, "to tell people whether they will want to buy the reports, or not." The addresses of the sources are included, and the price of the material where it is available.

She does not attempt to make qualitative judgements on the reports, although the fact that they are listed in the book implies a certain level of quality and of information. She is not really interested in publications which are company brochures in disguise.

Major collections, like the shelves of work on the Central London office market, are enhanced by the inclusion of a decentralisation study by Jones Lang Wootton, a report

oriented towards US investors by David Shulman and D.J. Kestin of Salomon Brothers, and information on City development and office occupiers from the Corporation of London's planning department.

In years to come, the Sourcebook may be expanded to include more work from local authorities, universities and polytechnics. Setting up the book took a lot of research work on its own, says Ms Moody, throwing up titles like City Planning by Special Situations, in Sevenoaks, Kent. And there could be more like that.

Conversely, a lot of work based on current rents and the like will fall out in the years ahead. And some particularly timely reports, like Edward Erdman's work in 1986 and 1987 on the deregulation of the City's investment markets, and the effect of that on property, may be trimmed out as new topics and issues emerge.

This emphasis on topicality extends to separate headings in the office and retail sections, a whole section on rating revaluation, inclusions for Jones Lang Wootton on obsolescence, and Swebby Cowan on the effect of 1992 and the opening up of Europe on the UK property industry.

Where reports naturally fall together, like Richard Ellis on West End development and investment, and the same firm reporting for occupiers on West End offices, they are discussed together. And finally, for reference book aficionados, there are indices - both by subject, and source.

William Cochrane
* Published by the Book Department, The Estates Gazette, 151 Wardour Street, London W1V 4BN, price £22.50.

HARD TASK OF FINDING A TEAM 2; DECISION TIME GETS SHORTER 3; INITIALED GOLDMINES, SPELLS FOR 'CINDERS' 4

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PROPERTY RESEARCH 2

THE STRATEGY

Hard task of finding a team

HEADHUNTERS HAVE been on the prowl in the City, in the West End of London, and in universities and polytechnics around the UK. Information is increasingly being viewed as a key resource in the property industry, to be earned, bought or sold, and that has meant buying people.

It has also meant difficult decisions for some of them. Mr Paul Orchard-Lisle, senior partner of Healey & Baker, has seven full-time researchers. But he also has newly-created vacancies for a further three. "Of my seven," he says, "four have had approaches this year from other chartered surveyors, or from the City."

H & B is fairly relaxed about its research requirement. It will fill the vacancies from universities; it has former students of psychology, history and geography telling the world what is going to happen in property; but it also has a seasoned top echelon, headed by its research partner Mr Angus McIntosh, and the overriding responsibility taken by Mr Orchard-Lisle himself. "Angus and I will sit at the top of the roost and make sure that

all this research is directed usefully," he says.

However, more pre-emptive moves are being made in the direct property market, where the evolution among property agents has led to the introduction of financial services and other teams, alongside investment and research departments. The fast-growing Chesterton combine, for example, has just taken over the entire strategic planning department of the Milton Keynes Development Corporation; at virtually the same time it emerged from a high-powered headhunting operation to find a national director of research.

Chesterton eventually chose Ms Rosemary Feenan from the CACI data and consultancy group, to produce a new research strategy for the firm; but the intriguing thing about this appointment, and the Milton Keynes acquisition, is the way the firm sees them as interlinked - moving professional work out of the backroom and into the front office.

Researchers, too, want to be more active in the business. "People want to get in at the 'dirty' end of the market and

make things happen," says Mr Ian Thurman, senior consultant at CACI Property Services. "They also want more money."

Mr Thurman came from the Cadbury Foundation at the University of Birmingham. His colleague, Dr Yvonne Court, used to be in the geographic department of Portsmouth Polytechnic.

"They see a natural progression. A lot of people went to agents in the early 1980s, many of them to produce what was essentially publicity material," says Mr Thurman. "They encountered twin frustrations: first, they were not really involved in property decisions; and secondly, they were not seen as 'independent', either by their sources of information or by their eventual readers."

Analysts then spun off into independent research groups, like Geoff Marsh's APR, and moved up a grade, or two, or more - Mr Marsh, himself, hitting a personal peak this year with the acquisition of his company by Rosehaugh, now one of the leading developers in the UK. Agents are now talking people, like Ms Feenan, out of the independents into higher

level jobs, says Mr Thurman, but it would not surprise him if the next stage were for the independents to acquire whole teams from the agency business and supply their former employers, and others, with research under contract.

In the City of London, meanwhile, 11 of the big banking and stockbroking "houses" are said to be searching for research teams. Research is seen less as an end in itself than as the contact with potential corporate finance clients, where the big money is to be made; the corporate finance specialists also need the contacts which brokers have forged with the big institutional investors.

This overheated atmosphere has led to unhappiness, as well as achievement. Property specialists can be recruited into the business for high pay, and then frozen out by their colleagues. "Teams" have been stuck together regardless of the incompatibility of some of their members.

Mr Alan Carter, with Mr Gareth Evans and Mr Alistair Gulliford, forms the Chase Manhattan property research team which moved there on bloc in mid-1987. Their hard-hitting, irreverent and frequently very funny work has come out under a number of letterheads in recent years.

What concerns Mr Carter, among all the whispering about who is going where next and with whom, is to maintain the standard of what he does for a living. There may be lessons here for other research teams which might find themselves paid more, but may be used with as much scorn by the salesmen of the business as they were in the past.

He is mightily irked by what he calls the re-presentation of a property company's report and accounts by so-called analysts who then call that research. "We want forcibly argued analysis, positively presented, with some humour and seldom without some point to it," he says.

Mr Carter is appalled by the number of brokers' analysis sheets on companies which say Buy or Hold and hardly ever Sell. "The investing institutions pay my salary," he says flatly, "not the companies."

William Cochrane

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Quality is in demand, as leading professionals tell Judith Huntley

The kind of service clients want from their advisers

IN THE frenetic days of stock market trading before Black Monday, in mid-October 1987, the property sector was soaring ahead of the rest of the market and fundamentals hardly seemed to matter.

The October collapse and the subsequently dull market has changed all that. Stock exchange investors, once again, are demanding in-depth property company research, based on an improving analysis of the direct property market.

It is not just the investor in property shares who is demanding high quality. Investors and developers in the real estate market are also demanding more data, and better interpretation of it.

This view is shared by Mr Peter Evans, head of research at Debenham Tewson & Chinnocks, the quoted firm of chartered surveyors. He comments: "Clients now demand a much fuller service from their advisers. What they want is high quality advice, rather than a mere regurgitation of data."

Mr Angus McIntosh, head of research at surveyors Healey & Baker, amplifies the point: "Key issues such as the rating revaluation, the imposition of VAT on new commercial buildings and the impact of 1992 have bubbled to the surface now," he says, "even though we have been monitoring them for some time. Clients want to know how these issues fit with their investment strategy."

Mr McIntosh thinks that last year's stock market crash was a good thing; that, before it, there was too much short-termism in the property market.

What kind of advice do clients require from property researchers? Several key factors emerge, whether they be from the broking sector, concerned with quoted property companies, or from surveyors dealing with real estate.

Research has to provide the client with an input to decisions on overall asset allocation. This is a big one. It covers how much should be invested in property compared with other forms of investment, and why, within an agreed allocation to property, how much should be directed into the share market and how much into real estate; within those areas, how much should be invested in different types of property company; and, finally, what kind of sectoral and geographical spread there should be in the real estate market.

Other key requirements include:

- regular performance measurement;
- analysis of trends in the direct and indirect markets,

which have to be highlighted and interpreted;

- forecasts of the likely behaviour of the stock market and the property sector within it, as well as of yield and rental movements in the direct property market.

Stockbrokers and their clients have had access to accurate measurements of performance of the quoted property sector and a wealth of data on the economy and the stock market for some considerable time. Forecasting models have been developed, and used in conjunction with the research undertaken by analysts.

Broking houses and major firms of surveyors have invested in the technology which allows them to improve the quality of their research. A wealth of information and data is available via screen-based systems, allied with "live" information from the stock market and news services. Some broking houses are able to send their research immediately to clients through a screen-based research system, in addition to published material.

The direct property market

has been very slow to develop long-term, credible databases and apply analytical research techniques. There have been significant improvements in the last few years. Major firms of surveyors have well-established research departments which have been building databases and producing quality research for over a decade. Now, however, the property market boom has turned research into a growth industry.

The reason for this is partly that, via the boom, money is available to buy research; but it is also a symptom of a fundamental change in the nature of the industry.

Dr Russell Schiller, head of Hillier Parker's research department, comments: "If better quality research is on offer, then it steps up what the client expects to receive from his adviser and increases the impetus for research. Developers, as well as investors, are finding that they have to do the research which they have seen competitors provide."

The computerisation of information and the development of databases in the surveying pro-

profession has revolutionised the development of in-house research. But there are areas where it might not be developing fast enough.

As Mr Evans wryly remarks: "Having spent considerable man-hours building a Central London development pipeline system, it is a bit off-putting to realise that this could have been tapped into, more cheaply, by using Applied Property Research." APR, now owned by Rosehaugh, is one of the growing number of independent research companies which have sprung into prominence in the past two years or so.

However, the large surveying firms, such as Jones Lang Wootton, Hillier Parker, Richard Ellis, Healey & Baker and Debenham Tewson & Chinnocks, prefer to invest in building their own databases.

Dr Schiller maintains: "Although outside sources can be a useful adjunct to in-house research, the only way to get the flexibility required is to have your own show."

Those frustrated by the ever-increasing number of property indices forthcoming from the surveyors should take note of Dr Schiller: "It would be lovely," he says, "to have a magic wand, wave it and produce the property equivalent of the FTSE 100; but in practice this is very difficult. Quality control is vital, particularly when measuring market information as opposed to a portfolio, which is really an account of stewardship. Perhaps 75 per cent of the time should be spent on quality of data, and 25 per cent on computers in all their forms."

Mrs Honor Chapman, head of Jones Lang Wootton's research department, agrees that in-house databases are essential. "Outside sources cannot maintain vital contacts with other departments within the firm," she says. "It is essential to keep in touch with the market, and this can only be done by the researcher being able to talk with those in day-to-day contact with it."

All this leads towards improving the predictive capability of research, and its interpretation. Mrs Chapman, again: "I see a maturing of the research industry, and a move towards consultancy, even management consultancy. That, of course, is a field which will bring the surveyors into direct competition with other professions - and put their research under the microscope.

The writer is a property analyst at Kleinwort Benson Securities.



Peter Evans



Angus McIntosh



Russell Schiller



Honor Chapman

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PROPERTY RESEARCH 3

Location planning comes into its own

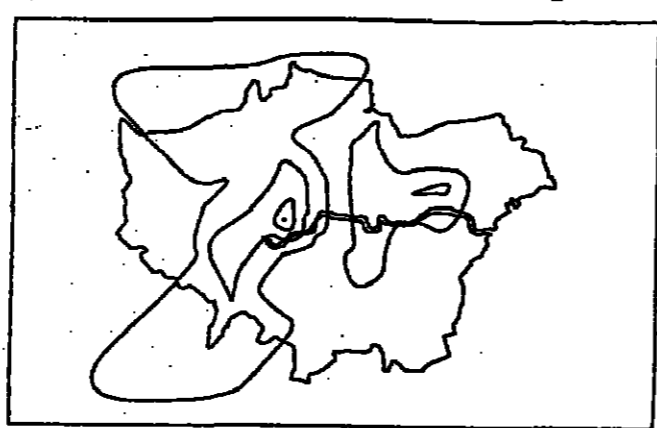
A big step from mere maps

IN MAY 1987, the Chorley Committee made an enthusiastic report on the scope for geographic information systems in the UK. They were "the biggest step forward since the invention of the map," it said.

Researchers using computers can now overlay maps with tabular material, charts, lists, graphs and reports to produce multi-dimensional models. They use, and merge, official census statistics, population estimates, retail census statistics, road network models and market research data.

distribution, retailing and financial services sectors; while research work in this area used to be the province of the major retail chains, employing in-house economists, it now goes broader and deeper than before.

Pinpoint has used census-based information to find where the wealth, the workforce and the Yuppies live in the London Borough of Camden; it has also attacked what it sees as the simplistic view in Britain of a prosperous south and a depressed north, fielding its own, Pinpoint Wealth Indicator, to prove its point.



Contouring by computer is being used increasingly for locational analysis. Maps are divided into bands or segments; for example, to show the way industrial property rents rise the closer one gets to London's M25 orbital motorway. The sample map illustrated here was prepared for a building society by Data Mapping of Saltash, Cornwall.

is based on the retail trade and the supply of quantitative data, but it has been able to move into consultancy via feasibility and impact studies for developers and institutional investors.



Sophie Mirman might find it harder to start Sock Shop now because of a combination of research, demographics and common sense.

He is not sure that the developer is sold on consultancy. "I'm making a lot of money just selling data to people," he says. "They could lose money from that information, but they'd rather spend £400 on data than £10,000 for a proper research project."

What TRG is after, says Mr Sheridan, is new answers to old questions - and some answers to new ones. It has just produced, in two days, an essential decision for a client to buy a run-down shopping centre which has been a skeleton in the industry's cupboard for some years.

Location planning is just one string to the bow of the Twickenham-based Management Horizons whose chairman, Mr Edward Whitefield, has electrified retail and property confer-

A FEW years ago it was common to draw unfavourable comparisons between property research by surveyors and financial research as in equities, and this was reflected in the computer-based marketing and analysis tools which managers made available. This imbalance, real or imagined, has fast been corrected as surveyors have come to view research as an increasingly important competitive weapon.

A large London surveyor's office now resembles the research department of a stockbroker. Personal computers with colour screens and graphics facilities produce reports and marketing literature at high speed, laser printers are used for fast, high quality print runs, and computer networks link researchers to corporate computers, on-line databases and, in some cases, clients.

The changes in the equity market which resulted from Big Bang have been credited with playing an indirect but key role in staking property firms' future, but probably more important has been the availability of easy-to-use, low cost computer systems. Technological developments have enabled property companies to computerise at a phenomenal rate which would not have been possible 10 years ago.

Over the past four years, and over the past 18 months in particular, there has been a revolution. The pace of change is so fast that things are changing almost daily. Terminals are everywhere, and the availability of research at property agent Richard Ellis. "The difficulty is not in finding systems to do the things you want, but in getting staff trained to use the systems."

The willingness of property firms to experiment with and invest in new technology has grown significantly over just two or three years. One supplier of software, Mr Stephen Sykes, says: "The speed at which people are taking decisions is getting much shorter. Big Bang made some surveyors feel that they were exposed."

In an industry which is said to be undercomputerised, Richard Ellis, with about 600 London employees, boasts three powerful Wang minicomputers and 30 personal computers. Another example is Drivers Jonas, a London surveyor with over 300 employees, which has powerful Hewlett Packard and Unisys minicomputers and over 100 personal computers installed - compared with only 65 this time last year.

Surveyors have proved to be natural candidates for computerisation across a number of departments. Not only are they responsible for storing large

COMPUTER SYSTEMS

Decision time gets shorter

amounts of potentially re-usable information, but their main product is paper, in the form of reports, surveys and presentations. Computerised databases, word processing, desktop database retrieval, graphics and laser printing have all proved popular.

Mr Reid says that in the property investment industry there is a great requirement for information that is not publicly available. "You generate a lot of information which you have to keep and computers are the way to do it. Having developed databases of properties, companies can then use their systems to offer a more sophisticated service to clients. One example, already well-established, is in matching clients' requirements with a database of properties to find sites which suit their needs."

Mr Steve Marshall, information technology manager at Drivers Jonas, says that managers are now being given sophisticated database software for use on their personal computers so that they can access information such as property records, enabling them to provide a swift and informed response to queries.

One area of increasing competition is in the production of both free and commissioned research documents. "This sometimes brings surveyors in

head-to-head competition with rival researchers, some from other fields, so both quality and content are vital. The advent of desk top publishing and laser printers has brought a new dimension to this activity, resulting in more frequent, higher quality research, often sent out in attractively produced, bound A4 folders.

"We've got past the stage of sending everything off to the printers - it's more important to get it out quickly. People are no longer impressed by the glossy covers but by the contents," says Mr Reid. He believes that property research has a wider and deeper purpose than research in the financial markets, "but it still needs to be bang up to date."

Because of this virtually everything is produced using the firm's desk top publishing and laser printer systems. Mr Peter Evans, head of research at Debenham Tewson & Chinnocks, says that the quality of presentation from surveying firms has been high for some time, but desk top publishing offers new opportunities. He identifies these as cost savings, improved control over output, and, above all, the ability to produce information quickly. "If you have something to say, you tend to want to say it sooner rather than later," he points out. "You

don't want to shortcut on research so you have fine time improvements elsewhere"

Computers are also one of the driving forces behind the development of property indices such as Jones Lang Wootton's Property Index and Richard Ellis's Property Market Indicators. Richard Ellis has constructed a model on its valuations computer which enables indices to be drawn up for various market sectors. These are entered into spreadsheets, graphics and charts are drawn up, and the results printed out on a laser printer.

For close client relationships, some firms are going a step further and developing direct computer to computer links. Drivers Jonas has just completed work with a client which involved setting up a direct computer link using British Telecom's high speed klisternet service, and shortly begins a similar arrangement for another client.

For most property firms, however, the use of computers has probably only just begun. Computer-aided design packages, though in use at the major London firms, are not widespread. Scanners capable of reading maps, charts and diagrams into a computer are scarcely used at all, while image processing, a technology of storing thousands of original documents on optical disks, is just making its mark in the financial sector. And one supplier has considered developing a simple "expert system" in which a computer asks questions about a property before announcing its valuation.

Andrew Lawrence

Advertisement for Fuller Peiser. Text: "If you can't tell the difference between these properties you need the depth of research and analysis provided by Fuller Peiser." Includes images of buildings and a logo.

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PROPERTY RESEARCH 4

Internal information systems

Spells for 'Cinders'

ASSET Management is the Cinderella among glamorous sisters in the property business. Not for her the public excitement of wheeling and dealing at the development and investment ball; housekeeping skills are rarely noticed by the sisters who bring their glittering prizes for her to polish.

Fairy godmothers are queuing to offer a helping hand, however. They may not be able to provide a new glamour, but they have some wonderful spells for improving efficiency.

After the fireworks of a property deal fade, the long slog of maintenance planning and rent-collecting begins. Computerised information systems seem an ideal tool for these tasks, but godmothers do not always fulfil their promises. Out of a score or more of magic packages advertised in the Kitchen Drudge Journal, only about half a dozen more than a second glance in the back rooms of agents and owners across the country.

One problem is that each Cinderella has her own way of doing things. Many have taken on computer spells which are difficult to bend to a new shape for others with different needs. Also, some godmothers have produced what amounts to inventories with built-in diaries which produce pop-up messages when a rent review is due. These may be just what a surveyor needs, but do not always help financial managers.

"Basically, you can satisfy most owners most of the time by getting the rents collected and accounted on time," says Mr Bill Harding of Edward Erdman. He is looking around for a new system as his existing one is no longer fast enough to handle a housekeeping workload of up to 5,000 tenancies generating 2,000 invoices a month.

One of the oldest godmothers, whose aim is to convert Cinderellas into Tramps rather than princesses, will be on his list of appraisals. Tramps is a package developed by Trace Computers over more than a decade, but which has taken

off in the past two years to involve 65 users including some of the top agents and developers. That has helped Trace almost double turnover this year to \$8.5m.

"It has been designed from the accounting end rather than the database end," says Mr Colin Clarke, joint managing director. "There are some big companies around with database systems onto which accounting for rents and service charges have been unsuccessfully grafted."

Handling service charges is a sticky problem for any management system. Some cannot adjust easily, for instance, to a ground-floor tenant paying nothing for lifts. Half a dozen calculations may be needed to produce the right invoice.

Flexibility to handle different demands is crucial to attract a wide range of users and keep down costs, says Mr Clarke. A property company may not account for assets in the same way as a rent-collecting agent. And two landlords with the same agent may require invoices drawn up in entirely different ways, let alone on different dates.

Ease of use for non-specialists is another important factor. Tramps, for instance, has been brought down from the hands of mainframe data processors to micro-computers by surveyors Hillier Parker. Even at desktop level, Mr Clarke insists on correct training programmes before selling his packages.

The screams of frustrated operators attracted Leeds-based Wharfedale Data Systems into the market. Initially, it created a package for the Mountleigh Group which Mr Phillip Carruthers, founder and managing director, soon realised was highly marketable. The menu-driven system with its ease of use and built-in audit trails running on fourth-generation UNIX computer language will put Wharfedale in a strong position, he says.

Mountleigh took over Wharfedale soon after they met. Whatever the future of this leading property group, its

adoptive daughter is unlikely to be short of suitors.

Like Trace, Wharfedale stresses six-monthly updating of software through feedback from users and inputs to match new legislation. This gives a continuous cash flow of fees, instead of one-off sales revenue.

Mr Carruthers has some more magic up his sleeve. He is working up an agricultural management system along similar lines and is looking at a takeover of his own. Turnover this year was close to \$400,000 and the target is for half total business to come from property management.

The market is growing as investors demand more efficient property accounting and management. And as better machines are introduced and extra players come into the game, prices are falling, pulling in even more users. Mr Chris Woodcock, Trace sales manager, says that a few years ago the lowest price for a good system was \$75,000. That has now been cut by two-thirds.

Wharfedale's current CTRAX-FMS package starts at about \$35,000 to \$40,000 for a four-screen system, aimed at medium-sized businesses handling rents of about \$5m a year. The average Trace contract is \$50,000, although they range as high as several million pounds for a system handling 15,000 tenancies.

"One customer had only three properties," says Mr Clarke. "It decided to take on a management system after losing the chance of a portfolio because the potential client demanded a minimum level of financial reporting."

That "minimum" is neither fixed nor definable, however, varying according to the pattern rather than the amount of reporting. Even Trace does not meet universal approval for some users who feel it pours out too much information at times. But packages like Wharfedale's will have to work hard to match the conversion rate of Cinderellas to Tramps by this powerful godmother.

David Lawson

SOFTWARE

Sheet errors

THE USE of a computer-based model is now almost essential for analysing the value of existing or proposed property investments. In recent years a considerable amount of software - sometimes of dubious quality - has been written, both for in-house use and the general market, to provide surveyors and investment analysts with the tools to analyse the value of property.

Up until a few years ago property valuation was a relatively simple matter. Various methods, such as simple return on investment calculations, were practised and analysis could be carried out without computer tools. Accuracy, although always desirable, was often not closely monitored.

In this decade, however, several factors have conspired to revolutionise appraisal methods, including the availability of relatively low-cost but powerful computers. This has enabled surveyors and investors to use more complex models capable of generating the results more quickly.

This is no more than the market demands. The financial community increasingly views property as an investment which can be regularly monitored and compared with other forms of investment such as gilts. This has led to a demand for models based on "discounted cash flow" rather than the traditional "return on investment" methods.

The market for financial appraisal software in the property market is, according to suppliers, growing fast, but it is still a small and specialist one. It is unlikely that there are more than 500 valuation packages in use in a market in which \$5bn changes hands annually.

Because of the specialist nature of the applications, none of the larger software houses which competes aggressively in other parts of the property market or the financial services industry has attempted to break into the market. "Software houses have not got the expertise to deal with the technical aspects of property valuation," says Mr Robert Greenly, managing director of software supplier Greenly's.

The leading suppliers of specialist property valuation software were all founded by people able to cross from accounting or surveying into software development. Greenly's, Interproperty, Marcus Lion, Stephen Sykes and KEL all have major users among leading surveyors, investment houses, agents and large property owners. Although the internal mathematics of such systems is complex, all the software is easily

run on a powerful and low-cost personal computer.

The main competition for these firms is internal - many users prefer to develop their own systems, either from scratch on their corporate computers or on personal computers using spreadsheets. The widespread use of spreadsheets such as Lotus 1-2-3 for analysis is a cause of frustration for investment analysis suppliers.

"The property market is absolutely besotted with spreadsheets. A spreadsheet is like using a sledgehammer to crack a nut," says Mr Stephen Sykes, the software developer and supplier. He argues that they are difficult to use, incapable of trapping mathematical errors and cannot satisfactorily perform many of the advanced calculations required.

Although many of the advanced carried out their first computerised valuations using spreadsheets, the trend now appears to be firmly towards specialist software. "We've all replaced a lot of spreadsheets - you only go so much with them. Functions such as sensitivity analysis or risk analysis can't be done," says Mr Greenly. He warns that unless carefully used, spreadsheets can allow users to make all sorts of simple mathematical errors.

The specialist packages which now dominate the market share many features. They are designed to enable the user to evaluate new property developments, consider the effects of alternatives, quantify risks, analyse investments and portfolios, and provide financial information such as cash flow and residual values.

Few users doubt that all the existing packages have limitations, although almost all the major surveyors use one or another. One large London surveyor is using two packages and an in-house system linked together. "Surprisingly, nothing is available which enables you to do all things you want in one integrated package," says the head of research.

Another property company, Richard Ellis, found the available packages insufficiently flexible and plumped for its own system.

Despite their sophistication, property appraisal packages are, like the property research industry, still in the early stages. Users and suppliers, however, seem in agreement on the way forward. In most cases this does not involve advanced computing techniques, but the provision of easy-to-use, well-balanced systems, capable of blending easily with a company's existing systems and methods of working.

Andrew Lawrence

External information systems

Initialled goldmines

SOME SHARP operators could make a lot of money exploiting a surprisingly obvious information gap overlooked in the crowded world of property research. Careful spade-work would unearth a potential goldmine in vehicle registration plates which match the initials of a torrent of consultancies that have sprung up over the last year or three.

They are an abbreviation-conscious bunch, far less sensitive to initials than surveyors. (Thank goodness, because with more than 100 databases on the market, plus a clutch of analysis and research groups, abbreviation saves extending even a modest discussion about the clan into a heavyweight tome.)

But why do we need all these new initials clogging up the language of property, and are we heading for information indigestion? Definitely not, says Mr Mike Nicholson of FOCUS, one of the few comfortable acronyms. The market lusts for even more information (such as his town profiles) than it is already fed.

"Ten years ago all a surveyor wanted to know was what buildings were on the market and the rents being achieved. Today that has expanded to who is looking for what and why, detailed breakdowns of types of vacancies and the attitudes of planners; and how property investment is performing."

At first, the big agency groups took on the research task themselves, then spawned independent consultants so they could free up money-making resources. Mr Nicholson came from Knight Frank & Rutley to set up FOCUS, while Mr Geoff Marsh left Jones Lang Wootton to form Applied Property Research (APR), Mr Rupert Nabarro of Investment Property Databank (IPD) had been deeply involved with top agencies, as had Mr David Cadman of Property Market Analysis (PMA).

Most of the leading surveying groups still maintain research departments, but they often feed off semi-processed information from outsiders. At Hillier Parker, for instance,

where Dr Russell Schiller runs one of the biggest research teams in the industry, more than 30 external agencies are tapped for information.

"We are in the business of packaging information nowadays," says Dr Schiller. One such package is a management system put together for shopping centre owners and administrators. This draws on geographical material from a census data specialist such as CAGI, or a Promis profile from PMA with market research and mapping by Pinpoint.

When the demographic, development and spending pattern data are in the bag, Hillier Parker's experts move on to the next stage of analysis and prediction of matters such as tenant mix, or the implications of a rival development.

This distinction between information and analysis is a crucial one. Mr Nicholson sees provision of information as the main function of independent consultants. "Agents and developers don't want to be given ultimate answers," he says. "They want to draw their own conclusions."

This is why he has concentrated on developing an on-line database, which cost more than \$1m to set up and stock with details on around 100,000 properties culled from the media, council minutes, company reports and other sources. More than 200 organisations tap the database, including other research groups such as IPD.

Mr Cadman believes that growing recognition of the differences between information and analysis shows that the research sector is moving towards a new maturity. PMA has deliberately settled at the opposite end of the spectrum to databases. Profiles are part of the service, but Mr Cadman and his partner Richard Barnes, an economist, are mainly geared to provide high-level analysis which puts property in a regional and national economic context. Sector reviews and forecasting are their bread-and-butter.

"This does not preclude intuitive decision-making by devel-

opment," he says. "We won't say if a business park should or should not be built but can refine the decision by suggesting how it should be built."

Distinctions between information and analysis are not always easy, however. IPD has taken on a godlike status with its performance indices by expanding to cover \$20bn worth of property owned or managed by 10 of the top institutional investors and the same number of top surveyors. But Mr Nabarro argues that statistical analysis - no matter how comprehensive - is not the same as advice.

Some consultants see their position shifting as research becomes a central part of decision-making. Mr Marsh built the reputation of APR on information banks such as planning application summaries in central London. But he sees a further role in the high value-added interpretation of information for Keeshaugh, its new parent, and a range of other clients.

The even wider horizons of resource management beckon Mr Cadman. Companies are beginning to take on research groups to assess use of buildings within the context of total resources, but property-based consultants risk losing such business to established management consultants unless they widen their horizons.

There is a danger of overstretching, however. "We need a clear view of what we cannot do," he says. The "disappointment factor" is already playing a part among conventional property clients, who have switched from blatant cynicism about research to almost desperate lust for analysis. "The God, we must have that" syndrome might be good for consultants' overdrafts but can lead to disillusionment when no easy solutions emerge.

True maturity will arrive when clients take a more selective view about when and where to seek and use information and research, no matter which part of the spectrum they exploit.

David Lawson

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